VEOLIA UK PENSION PLAN
CHAIR'S ANNUAL STATEMENT ON DEFINED CONTRIBUTION ("DC") GOVERNANCE

Annual Statement regarding DC Governance for Plan year ending on 31 December 2020 in relation to the Veolia UK Pension Plan (the "Plan")

I am pleased to present the Chair's Annual Statement on DC Governance (the "Governance Statement").

A copy of this Governance Statement will be available on the Veolia pension website which is publically accessible. Members will be notified of this in the Closure Statement issued prior to transfer of assets to the LifeSight Master Trust (see Section 4.).

1. Introduction

This Governance Statement has been prepared in accordance with the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the "Administration Regulations"). The Governance Statement is in respect of the Plan year ending 31 December 2020, however significant developments up to the point of signing are referenced for good practice.

It demonstrates how the Plan meets statutory governance standards set out in Administration Regulations. The Plan is managed within an effective governance framework. These are reviewed with a continuous improvement approach in mind.

2. Covid-19 and the Trustee's action in respect of impact on DC Governance

As noted in the 31 December 2019 Governance Statement, Covid-19 was a significant global development. In late February and March 2020 the Trustee assured itself that all of its providers and advisers had contingency plans in place to continue service delivery during the lockdowns introduced by the Government. Service delivery from Premier Pensions Management Limited, the Plan Administrator, is a key service for members and this continued covering key matters such as investment of contributions and payment of benefits.

The Trustee has continued to review the working arrangements of all of its advisers and providers throughout the lockdowns and remains satisfied a good level of service delivery was maintained.

In addition Veolia UK Limited, the sponsoring employer of the Plan, informed the Trustee that full contributions would continue to be paid and this continues to be the case. The Trustee regularly reviews the Employer covenant as part of its ongoing governance to monitor the Employer's continuing ability to fund and support the Plan. This gained a new emphasis throughout the lockdown. The Trustee carried out a special exercise as part of the audit of the 31 December 2019 Plan Accounts to complete an assessment of going concern and this will now be completed annually. The going concern statement for the 31 December 2020 accounts will be dated the same as this Governance Statement.

3. Review of default strategy and default arrangement

The Plan is used as a Qualifying Scheme for auto-enrolment purposes for a small number of Active members. The Trustee's DC governance register incorporates the Pension Regulator's ("TPR") six main areas recommended for review. Within these six areas TPR's original 31 quality features are captured and a risk scoring is applied against these to identify areas where increased monitoring or changes are required.

The Trustee reviews the default strategy and performance of the default arrangements regularly and at least every three years. Each regular review focusses, in particular, on the extent to which the return on investments relating to the default arrangement (after deduction of any costs and charges which are relevant to those investments) is consistent with the Trustee's aims and objectives in respect of the default arrangement (as recorded in the Statement of Investment Principles). The Trustee may also at times undertake reviews of specific aspects of the Statement of Investment Principles and the performance of the default arrangements.

Members who join the Plan and who do not choose an investment option are placed into the default investment strategy (the “Default Strategy”). When deciding on the Plan’s investment strategy, the Trustee recognises that most members do not make active investment decisions and instead invest in the Default Lifestyle Strategy. The Trustee decided to make the Plan’s default strategy, a lifestyle strategy, which means that members’ assets are automatically moved between different investment funds as they approach their target retirement date.

As part of this review, the Investment & Funding Committee (IFC) monitors the investment performance of the Lifestyle Strategy and whether underlying funds are delivering good performance.

The Default Lifestyle was reviewed by the Trustee during the period covered by this Statement, after taking advice from their Investment Consultants, LCP. The review was undertaken in two parts, beginning on 6 March 2020 and completing on 25 June 2020, after which it was agreed that the current ‘catch-all’ approach for the Default Lifestyle remained appropriate for Plan members.

In part one of the review the Trustee reviewed the current demographics of the Plan to identify any differences between the Plan’s underlying divisions and whether this impacted their expected retirement choices. The Trustee considered the recent choices members had made at retirement and used this to analyse how members are likely to access their benefits based on pot size. Based on this the Trustee concluded that they expect that members will take their benefits as a mixture of cash and drawdown with neither expected to clearly dominate. As a result the Trustee concluded that the current ‘catch-all’ target at retirement remains appropriate as it aims to be appropriate for members who choose to take cash or who choose income drawdown.

In part two of the review the Trustee reviewed the design and performance track record of the Default Lifestyle in light of the conclusion of part one of the review. The Trustee considered the historic risk and return of the Default Lifestyle and concluded that performance had been broadly as expected and was in line with the aims and objectives of the Default Lifestyle as outlined in the Statement of Investment Principles. It concluded that the design of the Default Lifestyle strategy was appropriate and that the forward-looking assumptions for risk and return meant that the Default Lifestyle was expected to be aligned with its aims and objectives.

As a result of this review the Trustee concluded that it was comfortable with the retirement target of the Default Lifestyle and the way it was designed to deliver this. No changes were made as a result of this review.

The Lifestyle Strategy is designed to ensure the best interests of all members are satisfied. At 31 December 2020, 83% of the Plan’s DC membership participated in the Lifestyle Strategy.

In addition to the strategy review the Trustee also review the performance of the underlying funds in the Default Lifestyle against their objectives on a quarterly basis and to check that the risk and return levels meet expectations. The Trustee reviews that took place during the Plan year concluded that the Default Lifestyle was performing broadly as expected.

4. Transfer of DC members and assets to the LifeSight Master Trust Scheme on 1 June 2021

In late 2019, the Employer informed the Trustee of its intention to participate in a single, multi-employer, Master Trust, into which the existing Plan DC members would transfer and, once complete, then close the Veolia DC Trust. The Employer presented and discussed its proposal with the Trustee and after completing its own due diligence, the Trustee agreed to support the Employer’s proposal. It was agreed that all new contributions would be paid into the new Master Trust from mid-2021 with an asset transfer of existing DC assets to follow 2-3 months later. The Trustee would seek investment and legal advice on the mapping of and subsequent transfer of the current assets. The Trustee would then proceed to wind up the DC sections of the Plan.

The Employer then convened a Selection Panel that included two members of the Trustee's Board of Directors and held a Selection Day to receive presentations from the shortlist of prospective providers on 3 September 2020. A unanimous decision was made to select LifeSight (run by Willis Towers Watson) as the preferred supplier.

LifeSight was selected for the following reasons:

- *Charges and other fees* – very competitive charges were secured. Significantly lower than current charges in the Plan for the majority of members. The total transaction costs for the transition phase to be met in full by LifeSight.

- *Investments* - off the shelf solution met all Trustee requirements. Members will have a choice of 25 different funds and 9 lifestyle options. WTW has strong ESG credentials, a competitive past performance and very established fiduciary oversight procedures.

- *Technology* - all members will have access to the LifeSight website and app. WTW has spent a lot of time and resources in developing technology that works and is easy for the members to use.

- *Administration* - only provider to do the Administration in house. The WTW administration service is market leading and normally would be outside of the Employer's budget however, no employer administration costs payable.

A Nil Fee Agreement was put in place with WTW after legal review by the Trustee's legal advisor (Eversheds) and the Employer's legal advisors (in-house counsel and Squire Patton Boggs). A Working Group including WTW, VPD, Premier and LCP was established with regular project calls taking place.

The Employer issued a letter and Consultation Guide to all active members of the Plan notifying them of the proposed transfer on 8 January 2021 and a consultation period was then held between 8 January 2021 and 12 March 2021. The Employer considered all member and Trade Union queries before making the decision to proceed with the transfer, which was communicated to active members on 31 March 2021.

At a meeting held on 8 March 2021 the Trustee received and considered investment advice from LCP on the mapping of the DC assets that will apply when the current assets are transferred in July. The Trustee approved the recommendations from LCP. At the same meeting on 8 March 2021 the Trustee approved letters to Active and Deferred members.

The Trustee issued the letters to all members on 7 April 2021. This included details of investment options, fund charges and member options during the transition period between the transfer of members to LifeSight and the asset transfer. The Trustee also issued a letter to AVC members shortly after this on 17 May 2021 outlining members' options.

Other important decisions taken by the Trustee were to approve the way in which the DC assets are to be transferred to LifeSight and that the transfer will be made without member consent. These decisions were taken at a meeting held on 21 June 2021.

With effect from 1 June 2021 all future contributions became payable to LifeSight and the asset transfer of existing DC accounts is planned to take place on 22 July 2021. Following this, Premier will issue a Fund Closure Statement to members to confirm the value of their accounts so that they can compare pre and post transfer.

5. Statement of Investment Principles ("SIP")

The Trustee has drawn up a SIP in accordance with regulations. This enables the Trustee to govern how the Lifestyle Strategy will meet its investment objectives and how investment decisions are made. The Plan's SIP covering the Default Lifestyle is attached to this document. The SIP is reviewed annually and as part of any strategy reviews to ensure objectives continue to be met and that investments are still suitable for the Plan's membership. Funds are invested via the DC platform operated by Scottish Widows. Performance of funds is monitored frequently and LCP produce a quarterly report for review at the quarterly IFC meetings. The SIP also includes the following key matters in relation to the default arrangements:

- The aims and objectives of the default Lifestyle Strategy which are broadly to:
  - generate returns in excess of inflation during the growth phase whilst managing downside risk. The default investment option's growth phase invests in equities and other growth-seeking assets (through an absolute return/diversified growth fund). These investments are expected to provide returns above inflation of around 4%, over the long term, with some downside protection;
  - provide a strategy that reduces investment risk for members as they approach retirement. As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a strategy that seeks to reduce investment risk as the member approaches retirement, whilst still delivering reasonable expected growth, is appropriate. These aims are achieved via automated lifestyle switches over the 10 and 5 year periods to a member's target retirement date. From 10 years to the member's target retirement date the holdings in equities are gradually reduced and assets are switched into diversified growth funds and corporate bonds. From 5 years to the member's target retirement date the exposure to diversified growth funds and corporate bonds is broadly maintained whilst some assets are switched into cash;

- provide exposure, at retirement, to assets that are broadly appropriate for all members, regardless of how they wish to take their benefits at retirement. At the member's target retirement date, member's assets will be invested in a range of different asset classes that, combined, aim to maintain a reasonable level of growth but with reduced volatility.

- the Trustee's policies on issues such as: the kinds of investments to be held; the balance between different kinds of investments; risks, including the ways in which risks are to be measured and managed; the expected return on investments; the realisation of investments; what financially material considerations (including environmental matters such as climate change, and social and governance considerations) are to be taken into account when selecting, retaining or realising investments, and in what manner; and the extent (if at all) to which the views of members and beneficiaries (including their ethical views, and their views on social / environmental impact and on the present and future quality of life of scheme members and beneficiaries) are taken into account when selecting, retaining or realising investments;

- the Trustee's policy in relation to the exercise of voting and other rights attached to scheme investments;

- the Trustee's policy in relation to the undertaking of engagement activities in respect of investments, which may (for example) include monitoring and engaging with companies in which the Plan holds shares or other investments about matters such as the company's performance, strategy, capital structure, management of conflicts of interests, risks, social and environmental impact, and corporate governance;

- the Trustee's policy in relation to their arrangements with the Plan's asset managers, including how those arrangements incentivise the asset managers concerned to align their investment strategies with the Trustee's own investment policies, and to take a medium to long-term approach to investment selection and management;

- an explanation of how these aims, objectives and policies (which together form the Trustee's "default strategy") are intended to ensure that assets are invested in the best interests of members whose benefits are invested in the default arrangements.

A copy of the latest SIP relating to the default arrangements is contained in **Appendix 3** to this Governance Statement.

- The balance of different risk based investments and managing risk
    - The Trustee considered the risk of low or negative investment returns, particularly in the years just prior to retirement and a strategy is in place to reduce this risk for members as they approach retirement (Lifestyle Phase). Other types of risk including credit risk, market risk, currency risk, interest rate risk and other price risk are also considered. These risks are reviewed at the quarterly IFC meetings.
- Realisation of investments
    - The day-to-day activities which the Investment Managers carry out for the Trustee are governed by the arrangements between the Investment Managers and Scottish Widows.
- Social, Environment and Ethical Investment Policy
    - The Trustee believes that markets do not necessarily fully incorporate Environmental, Social and Governance ("ESG") or climate risk factors appropriately when determining the price of assets.
    - The Trustee believes that ESG related risks, including climate change risks, are an important component of investment risk. They should therefore be considered when selecting investment managers as they may be a source of better risk-adjusted returns. However ESG factors are only a subset of the wider considerations the Trustee will bear in mind when making investment decisions.
    - The Trustee believes that ongoing monitoring (which may lead to action in certain cases) is key to ensuring investment managers take account of ESG concerns. The Trustee will work with its investment advisors in order to monitor its investment managers.
        - **Environmental (including climate change) factors** include biodiversity, climate change, energy efficiency, pollution, waste management and water scarcity, and other issues which affect the long term sustainability of returns. These may take the form of rising physical losses from extreme weather in the short term, the medium-term impacts from the implementation of climate change policy, and the longer-term impacts if global temperature rises are not limited. The Trustee believes that environmental factors are a key investment consideration because they affect the ability of investors to generate future investment returns. For example, environmental degradation may generate returns in the short term but represents a longer term risk.
        - **Social factors** include community relations, diversity and inclusion, human rights, labour standards, product safety, and other issues which are likely to affect the wellbeing of stakeholders, and by extension public perception of a company. Organisations today must recognise that they operate under a social licence, and that relationships with stakeholders should reflect these obligations. The Trustee believes that social factors are a key investment consideration because companies who engage in poor social practices risk significant reputational damage which can harm returns.

- **Governance factors** include involvement in bribery and corruption, business ethics, compliance, executive remuneration, lobbying, succession planning, and other issues affecting a company's management. The Trustee believes that governance factors are a key investment consideration because companies with poor corporate governance are likely to represent a risk to performance. Poor corporate governance may lead to action taken by regulatory bodies, reputational damage and reduced profitability.

The Trustee has considered how ESG and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Plan and its members.

The Trustee believes that consideration of ESG risks is a financially material component of our investment framework. The Trustee endeavours to monitor how our investment managers take ESG issues into account in practice on a regular basis.

The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and reviews how its managers are taking account of these issues in practice.

The Trustee has limited influence over managers' investment practices where assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

Non-financial matters relate to the ethical views of members and beneficiaries that are not concerned with the Trustee's overriding fiduciary duty to provide good financial outcomes for the members. The Trustee understands members may hold non-financial beliefs but, given the varied and personal nature of these beliefs, it does not currently consider there to be a commonly held view that should be part of the Trustee's investment policy. The Trustee will review this from time to time.

ESG Policy in the Statement of Investment Principles ("SIP")

The current SIP was signed by the Trustee on 29 September 2020 and this documents the policy on ESG matters. The SIP is attached to this Governance Statement in Appendix 3 and can also be found on the Veolia pension website which is publically accessible. The Trustee demonstrated its working knowledge of the SIP when undertaking the review.

The Trustee continued working on setting its ESG Policy during 2020. All nine Trustee Directors were involved in the consideration and setting of this important policy. Special training sessions were held in August 2020 as well as presentations from each of the DC investment managers.

6. Processing of core financial transactions – the Plan's Administrator

The Trustee outsources administration of the Plan to Premier Pensions Management Limited ("Premier"). The Trustee needs to ensure that certain transactions (known as "core financial transactions") relating to the Plan are processed promptly and accurately.

For these purposes, "core financial transactions" are (broadly):

- investment of contributions made to the Plan by members and their employer(s);
- transfers into and out of the Plan of assets relating to members;
- switches of members' investments between different funds within the Plan;
- payments from the Plan to or in respect of members (e.g. payment of death or retirement benefits and outward transfers of funds);

During the past Plan year, the following arrangements have been made to ensure that core financial transactions are processed promptly and accurately, and to monitor such processing:

- Bi-weekly calls between Premier and the Veolia Pensions Department ("VPD") are held to address any day to day member cases, processes and projects;

- Premier issue a quarterly stewardship report to the Trustee that focuses on reporting on the key controls and procedures around core activities. These include; processing member transactions against agreed standards of delivery, membership movements, outstanding cases and any key events in the period. The report also covers timeliness of contribution payments and the investment process, retirement statistics, member age profiling and the number of members approaching retirement. Review of these reports allows the Trustee to ensure changes to processes are implemented where needed;

- Premier's performance against agreed Service Level Agreements ("SLA") is reviewed at each Administration & Governance Committee (AGC) meeting with Premier present for discussion with the AGC. Premier achieved an SLA score of 94% for 2020 with the target set at 95%. This was caused by a drop in SLA during Q1 2020 when there was a significant spike in work volume of 30% combined with changes in personnel at Premier meaning the team had to manage training along with increase in work. The AGC monitored SLAs closely for the remainder of the year and is satisfied that SLAs returned to the normal level of service.

  The KPIs include (for example) expectations that contributions received are invested within 5 working days; transfers of members assets out of the Plan are paid within 10 working days; switches of members investments between different funds are processed in 5 working days and payment of retirement lumps sum benefits are made within 10 working days.

- Premier's monitoring of administration processes includes:
  - Bank account transactions are monitored daily by Premier's dedicated Treasury Team to ensure all transactions are recorded promptly in the accounting records. All payments, receipts and cash flow notices are raised, tracked and authorised through Premier's electronic workflow management system. This includes a number of standardised electronic forms administrators complete to request payments or notify the treasurer of receipts.
  - The workflow management system enforces a set of protocols and escalations which determine the route a payment will take as well as who has the necessary authorisations to approve or reject a payment. The transaction value determines the number of authorisers, but all payments require at least one creator and one authoriser.
  - The workflow management system records and reports on the actions taken, the personnel involved and the outcome of each step in the process. All actions throughout the whole of the treasury payments process are fully auditable.

- VPD uses the contributions reporting, along with other internal reporting, to maintain and monitor the Register of Breaches which is reported to the Trustee, The Scheme Auditor and the Scheme Actuary.

- On behalf of the Trustee, VPD holds quarterly service review meetings with Premier. These meetings aim to address any performance issues, process improvements and key projects. VPD also makes an annual site visit to the Premier office. At the meetings, Premier reports any errors identified in relation to the processing of core financial transactions, together with the steps taken to rectify those errors and any changes to the administrators' processes which have been implemented to ensure that there is no repetition of such errors.

- VPD receive a monthly summary report of the SLA performance for the immediate previous month; and

- The Trustee reviews Premier's annual Assurance Report on Internal Controls, prepared having regard to the International Standard on Assurance Engagements 3402 ("ISAE 3402") and the

Institute of Chartered Accountants in England and Wales Technical Release "Assurance reports on internal controls of services organisations made available to third parties" ("AAF 01/06"), which assesses the robustness of internal controls and procedures. Premier has appointed a Reporting Accountant to provide independent assurance on the control procedures detailed in this report.

In general during the Plan year, performance against the agreed KPIs was good, with the following processing times being achieved on average:

- Contributions invested in 2 working days; Transfers-in and transfers-out of the Plan being completed in 6 working days;
- Switches of members investments between different funds completed in 3 working days; and
- Making payment of lump sum retirement benefits in 6 working days.

No material issues were identified during the Plan year.

7. Level of charges and transaction costs

The Trustee recognises the importance of continually reviewing costs and charges. The core administration costs are covered by the sponsoring Employers. This leaves just the investment charges where members can incur a cost.

Investment charges include the investment Managers' Annual Management Charge (AMC) and the costs associated with the buying and selling of investments (additional fund expenses, such as custody costs, but excluding transaction costs). This is expressed in Plan literature as the Total Expense Ratio (TER) and is reflected in the unit price of the funds. The Trustee is required to separately disclose transaction cost figures. In the context of this Governance Statement, the transaction costs shown are those incurred when the Plan's fund managers buy and sell assets within investment funds but are exclusive of any costs incurred when members invest in and switch between funds. The transaction costs are borne by members.

The charges and transaction costs have been supplied by the Scottish Widows who are the Plan's platform provider. When preparing this section of the Statement the Trustees have taken account of the relevant statutory guidance. Due to the way in which transaction costs have been calculated it is possible for figures to be negative; since transaction costs are unlikely to be negative over the long term the Trustees have shown any negative figure as zero.

The Trustee negotiated the removal of a historic arrangement with Mercer Workplace Savings which meant that fees were reduced from 1 January 2020. A list of the charges as at 31 December 2020 for the Default Lifestyle Strategy and the underlying funds of the non-default arrangements are listed in Appendix 2.

For the Default Lifestyle Strategy the TER charge to a member depends on which funds they are invested in according to how far they are from their Normal or Target Retirement Age. For members invested in the Assist and Select strategies the TER charge depends on the funds a member has chosen to be invested in.

For the various individual funds in the Default Lifestyle Strategy, the TER ranges from 0.28% to 0.39%. For the various individual funds in the self-select range, the TER ranges from 0.08% and 0.56%.

TERs for each fund are documented in the Plan investment strategy booklets which are available to members when joining the Plan, on the company intranet site for active members and also through the member website. Fund factsheets are also available on the Scottish Widows microsite.

In addition to the Default Lifestyle Strategy and self-select funds, as at 31 December 2020, the Plan also held AVC policies with Utmost Life and Pensions, BMO Global Asset Management ("BMO") and

Prudential Plc ("Prudential"). On 1 January 2020, all Equitable Life's business transferred to Utmost Life and the With-Profits Fund was closed. The level of charges for the AVC funds and transaction costs, as at 31 December 2020, are set out in Appendix 2.

LCP, the Trustee's investment adviser, on behalf of the Trustee, has obtained a breakdown of the underlying transaction costs over the period covered by this Governance Statement from all of the investment managers (both in the default and self-select funds).

LCP produced the following section on "Illustration of charges and disclosure costs" for the purpose of this Governance Statement.

8. Illustration of cumulative charges and disclosure of costs

The Trustee supports transparency with regard to the total cost of investment. The Trustee continues to make progress in establishing the total cost of investment and in particular, the transaction charges incurred by the Plan's investment managers.

Transaction costs are the costs associated with buying, selling, lending and borrowing investments and are a normal part of pension saving. However, many of these costs are not directly reported and so are hard to identify, although measures are in place to improve this.

For the Plan year, the Plan's platform provider, Scottish Widows, has provided transaction cost estimates. These are detailed in the table in Appendix 2 for each fund.

The Trustee has taken account of guidance from the Department of Work and Pensions and an illustrative example of the cumulative effect over time of the application of costs and charges on the value of member's accrued rights to money purchase benefits can be found below.

The table below sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings.

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne fees and costs.

- The transaction costs figures used in the illustration are those provided by Scottish Widows, subject to a floor of zero (i.e. so that the illustration does not assume a negative cost over the long term).

- The illustration is shown for the Default Lifestyle Strategy since this is the arrangement with the most members invested in it, and four funds from the Plan's self-select fund range. The four self-select funds shown in the illustration are:

    - the fund with the highest before costs expected return – there are several funds with the same expected return, but we have shown the BlackRock Aquila 50/50 Global Equity Index Fund in this illustration;

    - the fund with the lowest before costs expected return – this is the Veolia Cash Targeting Fund and Liquidity (Cash) Fund. We show the Veolia Cash Targeting Fund for the purposes of this illustration;
    - the fund with highest annual member borne costs – this is the Veolia Active Diversified Growth Fund; and

    - the fund with lowest annual member borne costs – – there are several funds with the same costs, but we have shown this is the BlackRock Aquila UK. Equity Index Fund in this illustration.

Projected pension pot in today's money

	Default option		BlackRock Aquila 50/50 Global Equity Index Fund		Veolia Cash Targeting Fund		Veolia Active Diversified Growth Fund		BlackRock Aquila UK Equity Index Fund	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£2,600	£2,500	£2,600	£2,600	£2,500	£2,500	£2,500	£2,500	£2,600	£2,600
3	£7,800	£7,800	£7,800	£7,800	£7,400	£7,300	£7,800	£7,700	£7,800	£7,800
5	£13,300	£13,100	£13,300	£13,300	£12,000	£12,000	£13,100	£12,800	£13,300	£13,300
10	£27,800	£27,200	£28,000	£27,900	£22,800	£22,600	£27,300	£26,000	£28,000	£27,900
15	£43,800	£42,200	£44,200	£43,900	£32,500	£32,100	£42,500	£39,500	£44,200	£43,900
20	£61,300	£58,400	£62,100	£61,500	£41,200	£40,600	£58,900	£53,400	£62,100	£61,600
25	£80,600	£75,700	£81,800	£80,900	£49,100	£48,200	£76,600	£67,600	£81,800	£81,000
30	£101,700	£94,300	£103,700	£102,200	£56,100	£55,000	£95,700	£82,200	£103,700	£102,300
35	£120,900	£110,100	£127,700	£125,600	£62,500	£61,000	£116,200	£97,200	£127,700	£125,800
40	£136,300	£121,500	£154,300	£151,400	£68,200	£66,400	£138,300	£112,600	£154,300	£151,600

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Annual salary growth and inflation is assumed to be 2.5%. Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
- The starting pot size used is £0.00.
- The projection is for 40 years, being the approximate duration that a young scheme member has until they reach the scheme's Normal Pension Age.
- The starting salary is assumed to be £23,000 as this is the median salary for active members aged 25 years or younger.
- The contribution rate is assumed to be 11% (includes employee and employer contributions) as this is the median for members aged 25 years or younger.
- Values shown are estimates and are not guaranteed.
- The projected annual returns used are as follows:
    - Default option: 1.9% above inflation for the initial years, gradually reducing to a return of 0.2% above inflation at the ending point of the lifestyle.
    - BlackRock Aquila 50/50 Global Equity Index Fund – 2.0% **above** inflation
    - Veolia Cash Targeting Fund – 2.1% **below** inflation
    - Veolia Active Diversified Growth Fund – 1.5% **above** inflation
    - BlackRock Aquila UK Equity Index Fund – 2.0% **above** inflation

- No allowance for active management has been made in the return assumptions (e.g. the assumed returns for a passive and active global equity fund are the same).

9. Good value for members

As part of its ongoing DC governance the Trustee has reviewed the extent to which members are offered good value. To determine this, other qualitative factors were considered outside of costs and charges. This included the overall performance of all service providers, member experience throughout their journey from joining the Plan to taking their benefits, how effective the communications approach was and the online experience.

Members have the opportunity to provide feedback to Premier and on the Third Party Administrator service and this is reported in the quarterly stewardship report to the Trustee.

Overall, the Trustee has concluded that the members have received good value during the year and up to the point of transfer to the LifeSight Scheme on 1 June 2021.

The Trustee is required to assess the extent to which members receive value for money for the services they pay for. Members of the Plan pay the management charges, platform charges and transaction costs of the investment options but other costs, such as administration and member communications, are paid for by the Company. The Trustee's assessment on value for members is therefore focused on the management charges, platform charges and transaction costs. There is no legal definition of 'good value' which means that determining this is subjective. The general policy of the Trustee in relation to value for member considerations is set out below.

The Trustee reviews the charges for the investment options (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Plan. The last review before the transfer to the LifeSight Scheme was carried out as part of a wider assessment of the Plan's investment arrangements which concluded in March 2018. The Trustee notes that value for money does not necessarily mean the lowest fee, and the risk and return of each investment option has also been considered in this assessment. As part of this review, the Trustee's investment advisers have confirmed that the fund charges are competitive for the types of fund available to members. In addition, shortly after the review period, the charges on two of the underlying investment funds in the Long Term Growth, Balanced Growth and Diversified Growth funds were reduced and the savings passed directly on to members.

The Trustee reviews the performance of the investment options (after all charges) in the context of their investment objectives, on a quarterly basis. The returns on the investment options members can choose during the period covered by this Governance Statement have been consistent with their stated investment objectives.

As noted earlier under the Level of Charges and Transaction Costs section, the Trustee's decision to remove the arrangement with Mercer Workplace Savings has resulted in lower fees from 1 January 2020.

The Trustee believes the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches, and we expect this to lead to greater investment returns net of fees over time.

Overall, the Trustee believes that members of the Plan received good value for money. The Trustee believes this because:

- fees are competitive for a Plan of this size and the Trustee continues to engage with managers to ensure members are paying competitive fees;
- the default lifestyle arrangement and self-select fund range were amended during 2018 to ensure they remain fit for purpose and appropriate for members' likely retirement outcomes; and
- the Trustee has proactively engaged with the Plan's platform provider during the year to ensure that members are receiving the best possible service.

10. Member communications

Member communications continues to be a key area of focus for the Trustee. The communications strategy set in July 2017 is reviewed annually with the aim of improving members' understanding of the Plan, their investments and retirement options.

During 2020, the Administration & Governance Committee continued to achieve key objectives, including:

- Member access – members have the opportunity of speaking directly with VPD.
- Targeted communications – letters targeting members at specific age milestones continued.

- Simplified Annual Benefit Statements - launched in 2020 which were on-line for the first time.

- Revamped annual newsletter – new design issued to all members received positive member feedback.

- Internal online news articles to active members on the following topics:
    - Boosting Pension contributions;
    - Pension statements go digital;
    - Pensions in a Pandemic;
    - Did you know about your life assurance benefit; and
    - Don't become a victim to pension scams

The Trustee will continued to focus on improving the quality of communications in 2021.

11. Trustee Knowledge & Understanding

In order for the Trustee to carry out its duties and properly exercise their functions, all Trustee Directors need to have the right level of skills, competencies and knowledge to govern the Plan effectively. The Trustee Directors need to have a working knowledge of the following documents relating to the Plan:

- the Plan's trust deed and rules;
- the Plan's SIP; and
- any other document recording policy for the time being adopted by the Trustee relating to the administration of the Plan generally.

The Trustee also needs to have an appropriate level of knowledge and understanding of matters such as the law relating to pensions and trusts, and the principles relating to investment of pension scheme assets.

The Trustee Board ensures that these individual competencies are managed to facilitate a combined resource of knowledge and understanding that ensures the Trustee meets its statutory fiduciary obligations.

The Trustee Board includes individual Trustee Directors who have wide and varying experience of trustee duties. A key element of the Trustee's collective knowledge and understanding is the presence on the Trustee Board of the Independent Trustee. The Independent Trustee is a pensions professional, highly respected in the industry, who provides knowledge and experience as well as awareness of developments in the wider pensions world.

In exercising its duties the Trustee is supported by several external professional advisers. When selecting these advisers the Trustee carries out forensic tender processes that ensures the adviser appointed is the most suitable for the Trustee's needs.

To ensure that the Trustee has the necessary level of knowledge and understanding, the following steps have been undertaken during the past Plan year:

- Training was received from the Trustee's legal adviser on DC Master Trusts on 16 April 2020.

- The Trustee learnt about the Climate Change and wider ESG arrangements on DC investments, which was covered in the two virtual planning modules held on 4 and 26 August 2020 respectively.

- Knowledge of law relating to pensions and trusts is tested and updated through topical training sessions provided by the Plan's advisers at the Board and sub-Committee meetings to ensure the Trustee is kept up to date with current developments and changes in legislation and the last training session was provided on 15 October 2020.

- Trustee Directors are required to complete the Pensions Regulator's e-learning programme the "Trustee Toolkit" within six months of appointment. This is an online training programme for trustees, which covers topics such as the role of a trustee, the process of running a pension scheme, managing conflicts of interest, key areas of pensions law, and the principles of investment of pension scheme assets**.**

- All Trustee Directors and members of the VPD are required to complete the Pensions Management Institute's Award in Trusteeship. All nine Trustee Directors hold this qualification. Training is monitored regularly and training logs are maintained.

A Skills Matrix was completed by Trustee Directors January 2019 and the results were incorporated into the Trustee training plan. The Trustee also discussed how often the Skills Matrix will be completed going forward. After careful consideration it was decided that it will be completed every other year with the next one due in 2021. The Trustee considered that this will allow time for gaps in knowledge to be addressed before the Skills Matrix is completed again.

Another factor taken into account when deciding the Skills Matrix will be completed every other year was that with the Trustee Effectiveness Survey and the Skills Matrix being completed in alternating years the Trustee will be making most efficient use of these important governance tools.

Trustees are required to demonstrate their understanding of policies including the Conflicts of Interests Policy which was last reviewed and approved by the Trustee on 19 October 2017. The Conflicts of Interests Policy is included in the papers for every Trustee Board and sub-committee meeting. At the start of every meeting the Chair notes the Policy and invites Trustee Directors to declare any conflict. Training has been provided to the Trustee on conflicts of interest as well as anti-bribery and corruption.

In addition to its external professional advisers the Trustee is supported by the internal VPD. Members of the Department all have appropriate pensions experience and qualifications. The Department provides on-going support for the Trustee in various ways including preparation of meeting papers where all relevant documentation and details of legislation are presented for discussion and consideration. The Department also maintain an on-line site where all Plan documents are available to the Trustee Directors. This is regularly referred to when making decisions such as discretionary payments, application of Plan rules to specific member cases and when reviewing and amending Trustee policies.

Robert Hunt
Trustee Chair
23 June 2021

Appendix 2

All fund charges below are as at 31 December 2020.

All Transaction costs are in addition to the Total Expense Ratio.

Default fund charges and transaction costs:

Fund	**Type**	**Total Expense (% pa) as at 31 December 2020**	**Transaction costs (% pa) as at 31 December 2020**
Veolia Long Term Growth Fund	Mixed	0.28	0.19
Veolia Balanced Growth Fund	Mixed	0.38	0.26
Veolia Approaching Retirement Fund	Mixed	0.39	0.25

The actual charges members incur in the Lifestyle Strategy depends on the mix of investment funds being used for Plan savings at any given time. Broadly, the annual charges (TER) will change over time as follows:

Years to Target Retirement Age	10 or more	9	8	7	6	5	4	3	2	1	At retirement
Illustration of Total Expense (% pa) as at 31 December 2020	0.28	0.30	0.32	0.34	0.36	0.38	0.38	0.39	0.39	0.39	0.39
Transaction costs (% pa) as at 31 December 2020	0.19	0.20	0.22	0.23	0.25	0.26	0.26	0.26	0.25	0.25	0.25

Self-select fund charges and transaction costs:

Fund	**Type**	**Total Expense (% pa) as at 31 December 2020**	**Transaction costs (% pa) as at 31 December 2020**
Veolia Long Term Growth Fund	Mixed	0.28	0.08
Veolia Balanced Growth Fund	Mixed	0.38	0.13
Veolia Approaching Retirement Fund	Mixed	0.39	0.13
Veolia Annuity Targeting Fund	Mixed	0.13	0.01
Active Diversified Growth Fund	Mixed	0.56	0.23
Veolia Multi Factor Global Equity	Equities	0.25	0.12
Aquila 50/50 Global Equity Index	Equities	0.09	0.00
Aquila Emerging Markets Equity Index	Equities	0.29	0.00
Aquila World ex UK Equity Index	Equities	0.09	0.00
Aquila UK Equity Index	Equities	0.08	0.00
Aquila Japanese Equity Index	Equities	0.09	0.09
Aquila US Equity Index	Equities	0.09	0.00
Aquila European Equity Index	Equities	0.09	0.00
Aquila Pacific Rim Equity Index	Equities	0.09	0.00
HSBC Islamic (Amanah)	Equities	0.35	0.05
Aquila Corporate Bond All Stock Index	Bonds	0.10	0.00

Aquila Index-Linked Over 5 Years Gilt Index	Gilts	0.08	0.02
Aquila Over 15 Years UK Gilt Fund	Gilts	0.08	0.00
BlackRock Sterling Liquidity	Cash	0.14	0.01
Veolia Cash Targeting	Cash	0.14	0.01

AVC policy charges and transaction costs:

Provider	**Total Expense (% pa) as at 31 December 2020**	**Transaction costs (% pa) as at 31 December 2020**
Utmost Life & Pensions[1]		
Secure Cash Fund	0.50	0.00
US Equity	0.94	0.01
Asia Pacific Equity	1.11	0.00
Global Equity	0.99	0.01
Managed Pension	0.92	0.02
Money Market	0.50	0.00
Pelican	1.14	0.00
Property	1.85	0.01
UK FTSE All Share Tracker	0.59	0.01
BMO[2]		
BMO Global Equity 2 Acc	0.47	0.37
BMO Managed Growth 3 Acc	0.54	0.18
BMO Responsible UK Equity B Acc	0.55	0.15
BMO UK Property Feeder 1 Acc	1.57	0.40
Prudential[3]		
With-Profits Fund Cash Accumulation[4]	1.20	0.11
Prudential Deposit Fund	0.00	-[5]
Prudential Cash	0.55	0.00
Prudential Discretionary	0.78	0.17
Prudential Ethical Fund/Prudential Positive Impact Fund[5]	0.75	N/A[6]
Prudential Fixed Interest	0.76	0.00
Prudential Global Equity	0.76	0.08
Prudential Index-Linked	0.76	0.18
Prudential International Equity	0.76	0.23
Prudential Long-Term Gilt Passive	0.66	0.00
Prudential UK Equity	0.76	0.00
Prudential UK Equity Passive	0.66	0.07
Prudential UK Property	1.28	0.00

Source: Utmost Life & Pensions, BMO, Prudential.

1. Funds listed are those in which members were invested as at 1 July 2020. TER and transaction costs are as at 31 December 2020.
2. Transaction costs are an average over the past 3 years to 30 September 2020.
3. TERs are as at 31 August 2020 and transaction costs are as at 30 September 2020. At the time of writing, Prudential were unable to provide TERs or transaction costs as at 31 December 2020.
4. Charges on With-Profits business depend on the performance of the With-Profits Fund

and, in particular, the investment returns achieved and expenses incurred.

5. At the time of writing, Prudential were unable to provide transaction costs for the Fund.
6. The Prudential Ethical Fund closed in February 2020 and was replaced by the Prudential Positive Impact Fund. As such, the fund does not have a full year of transaction cost data to report.

STATEMENT OF INVESTMENT PRINCIPLES – AUGUST 2020

VEOLIA UK PENSION PLAN – DEFINED CONTRIBUTION

1. Introduction

This Statement of Investment Principles ("SIP") has been prepared by Veolia UK Pension Trustees Limited, (the "Trustee") for the Defined Contribution Division and Additional Voluntary Contributions ("AVCs") of the Veolia UK Pension Plan (the "Plan"), to comply with the requirements of:

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

The Trustee has consulted a suitably qualified person by obtaining advice from Lane Clark & Peacock, the Plan's investment adviser, whom the Trustee believes to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments including the need for diversification given the circumstances of the Plan and the principles contained in this SIP. The Trustee, in preparing this SIP, has also consulted the Principal Employers, in particular on the Trustee's objectives.

Overall investment policy falls into two parts: the strategic management of the assets, which is the responsibility of the Trustee, and the day-to-day management of the assets which is the responsibility of the underlying fund managers.

In order to facilitate effective decision making, the Trustee delegates certain investment matters to the Investment & Funding Committee of Veolia UK Pension Trustees Limited (the "IFC"). The form of delegations is set out in a "Schedule of Delegations". The role of the IFC is to make strategic recommendations to the Trustee and also to monitor and review the Plan's investment arrangements.

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

This SIP sets out the general principles underlying the investment policy. Details of how this policy has been implemented are set out in the Investment Implementation Policy Documents ("IIPD") for the Defined Contribution Division. The IIPD does not form part of the SIP but can be obtained on request.

The Defined Benefit section's SIP can be found under separate cover.

2. Investment Objectives and Strategy

2.1. Investment Objectives

The Trustee's objective for the defined contribution elements of the Plan (including AVCs) is to enable members to provide adequately for themselves in retirement via appropriate investment of their accumulated savings under the Plan.

2.2. Risk

The Trustee has considered risk from a number of perspectives. These are:

i. The risk that a low investment return over the members' working lives might provide an inadequate level of benefits at retirement;

ii. The risk that relative market movements in the years just prior to retirement might lead to a substantial reduction in level of benefits which would otherwise be provided;

iii. The risk that the chosen investment manager might underperform the benchmark return against which the manager is assessed.

Credit Risk: The Trustee notes that the Plan is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Plan invests in pooled investment vehicles. Therefore the Plan is directly exposed to credit risk arising from these pooled investment vehicles and is indirectly exposed to credit risks arising on the underlying investments held by these pooled investment vehicles.

Market Risk: The Plan is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:

- *Currency risk:* this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

  Indirect currency risk arises from the exposure to the underlying investments in overseas markets within some of the pooled vehicles

- *Interest rate risk:* this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

  Indirect interest rate risk arises from the exposure to the underlying investments in bonds and fixed income instruments within some of the pooled vehicles.

- *Other price risk:* this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

  Other price risk arises principally in relation to the Plan's exposure to return seeking assets (such as equities, corporate bonds and diversified growth funds) through underlying investments in pooled investment vehicles, which make up the the Default Investment Option. The Default Lifestyle option helps to mitigate some other price risk as members approach retirement by moving out of growth assets and into more defensive assets.

2.3. Investment Strategy

The Trustee has made available a range of funds for members. The Trustee considered a wide range of asset classes for investment, taking account of the expected returns and key individual risks associated with those asset classes as well as how these risks can be mitigated where appropriate.

The default investment strategy is the Default Lifestyle. Under this strategy members' assets are initially invested 100% in the Veolia Long Term Growth Fund (25% Diversified Growth Funds, 37.5% Global Equities, 37.5% Multi-Factor Equities). From 10 years before a member's anticipated retirement date (the Plan's Normal Retirement Date is a member's 65th birthday, but a member can select a Target Retirement Date of any date falling between their 55th and 75th birthdays), the member's holdings are gradually switched into the Veolia Balanced Growth Fund (60% Diversified Growth Funds, 5% Global Equities, 5% Multi-Factor Equities, 30% Corporate Bonds), until they are fully invested in this fund 5 years before their anticipated retirement date. From this time, the member's holdings are then gradually switched into the Veolia Approaching Retirement Fund (60% Diversified Growth Funds, 15% Corporate Bonds, 25% Cash). At the point of retirement, a member will be invested 100% in the Veolia Approaching Retirement Fund.

The Default Lifestyle has been designed as a 'catch-all' approach, broadly suitable for all members, however they may wish to take their benefits at retirement.

For members wishing to take decisions about the investment of their accumulated pension fund, a range of risk-profiled blended funds and individual asset class funds are offered. Further details of which are set out in Schedule A of the Plan's IIPD.

The Trustee, having taken investment advice, believes that the decision to offer members the investment options described in Schedule A of the Plan's IIPD are appropriate to meet the Trustee's objective as set out in Sections 2.1 and 2.2.

2.4. Default Investment Option

The Default Lifestyle is the default investment option for the Plan. Typically, a proportion of members will actively choose the default investment option because they feel it is most appropriate for them. However, the vast majority of members do not make an active investment decision and are automatically invested in the default investment option.

The aims of the default investment option, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk.

  The default investment option's growth phase invests in equities and other growth-seeking assets (through an absolute return/diversified growth fund). These investments are expected to provide returns above inflation of around 4%, over the long term, with some downside protection.

- To provide a strategy that reduces investment risk for members as they approach retirement.

  As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a strategy that seeks to reduce investment risk as the member approaches retirement, whilst still delivering reasonable expected growth, is appropriate.

  These aims are achieved via automated lifestyle switches over the 10 and 5 year periods to a member's target retirement date. From 10 years to the member's target retirement date the holdings in equities are gradually reduced and assets are switched into diversified growth funds and corporate bonds. From 5 years to the member's target retirement date the exposure to diversified growth funds and corporate bonds is broadly maintained whilst some assets are switched into cash.

- To provide exposure, at retirement, to assets that are broadly appropriate for all members, regardless of how they wish to take their benefits at retirement.

  At the member's target retirement date, member's assets will be invested in a range of different asset classes that, combined, aim to maintain a reasonable level of growth but with reduced volatility.

The Trustees' policies in relation to the default option are detailed below:

- The default investment option manages investment risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the default investment option, the Trustee has explicitly considered the trade-off between risk and expected returns.

- Assets in the default investment option are invested in the best interests of members, taking into account the profile of members. In particular, the Trustee considered the make-up of the Plan's membership when deciding on the default investment option.

Based on this understanding of the membership, a default option that targets a ‘catch-all’ outcome at retirement is considered appropriate.

- Members are supported by clear communications regarding the aims of the default option and the access to alternative investment approaches. If members wish to, they can opt to choose their own investment strategy on joining but also at any other future date.

- Assets in the default investment option are invested in daily traded pooled funds which hold highly liquid assets. The pooled funds are commingled investment vehicles which are managed by various Investment Managers. The selection, retention and realisation of assets within the pooled funds are delegated to the respective Investment Managers in line with the mandates of the funds. Likewise, the Investment Managers have full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments.

- Within the default investment option, units across the underlying pooled funds are bought and sold according to the table below:

Time to retirement (years)	Veolia Long Term Growth Fund (%)	Veolia Balanced Growth Fund (%)	Veolia Approaching Retirement Fund (%)
10	100.0	0.0	0.0
9	80.0	20.0	0.0
8	60.0	40.0	0.0
7	40.0	60.0	0.0
6	20.0	80.0	0.0
5	0.0	100.0	0.0
4	0.0	80.0	20.0
3	0.0	60.0	40.0
2	0.0	40.0	60.0
1	0.0	20.0	80.0
0	0.0	0.0	100.0

Taking into account the demographics of the Plan’s membership and the Trustees’ views of how the membership will behave at retirement, the Trustee believes that the current default option is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Plan's demographic, if sooner.

2.5. Additional Voluntary Contributions ("AVCs")

The Trustee's objective for AVCs is to enable members to provide adequately for themselves in retirement via appropriate investment of their accumulated savings under the Plan.

Members' AVCs are invested in a range of funds with Zurich, Equitable Life, Phoenix Life, Aviva, F&C, and the Prudential. These arrangements are reviewed from time to time to ensure that the investment performance achieved is acceptable and the investment profile of the funds remains consistent with the Trustee's objectives and needs of the members.

3. Day-to-day Management of the Assets

The Trustee accesses the range of investment options via an investment platform. This investment platform is accessed through a long-term insurance contract between the Trustee and the platform provider. The Trustee does not have any direct contractual relationships with the underlying investment managers of the pooled funds accessed through the platform. The Trustee has signed agreements with the platform provider setting out in detail the terms on which the portfolios are to be managed.

Details of the specific investment funds used within the DC and AVC arrangements can be found in the IPID for the Plan. The investment managers' primary role is the day-to-day investment management of the Plan's investments. The managers are authorised under the Financial Services and Markets Act 2000 (as amended) to carry out such activities.

The Trustee and investment managers, to whom discretion has been delegated, exercise their powers giving effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

The Trustee has limited influence over managers' investment practices because all the Plan's assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual performance as well as the role it plays in helping the Plan meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan's investment mandates.
The Trustee prepares an Implementation Statement along with its Report and Accounts (commencing from 31 December 2020 accounts) which describes its voting and engagement policies and its voting behaviour.

4. Environmental, Social and governance, and Responsible Investment Policy

The Trustee believes that markets do not necessarily fully incorporate Environmental, Social and Governance (ESG) or climate risk factors appropriately when determining the price of assets.

The Trustee believes that ESG related risks, including climate change risks, are an important component of investment risk. They should therefore be considered when selecting investment managers as they may be a source of better risk-adjusted returns. However ESG factors are only a subset of the wider considerations the Trustee will bear in mind when making investment decisions.
The Trustee believes that ongoing monitoring (which may lead to action in certain cases) is key to ensuring investment managers take account of ESG concerns. The Trustee will work with its investment advisors in order to monitor its investment managers.

- **Environmental (including climate change) factors** include biodiversity, climate change, energy efficiency, pollution, waste management and water scarcity, and other issues which affect the long term sustainability of returns. These may take the form of rising physical losses from extreme weather in the short term, the medium-term impacts from the implementation of climate change policy, and the longer-term impacts if global temperature rises are not limited. The Trustee believes that environmental factors are a key investment consideration because they affect the ability of investors to generate future investment returns. For example, environmental degradation may generate returns in the short term but represents a longer term risk.

- **Social factors** include community relations, diversity and inclusion, human rights, labour standards, product safety, and other issues which are likely to affect the wellbeing of stakeholders, and by extension public perception of a company. Organisations today must recognise that they operate under a social licence, and that relationships with stakeholders should reflect these obligations. The Trustee believes that social factors are a key investment consideration because companies who engage in poor social practices risk significant reputational damage which can harm returns.

- **Governance factors** include involvement in bribery and corruption, business ethics, compliance, executive remuneration, lobbying, succession planning, and other issues affecting a company's management. The Trustee believes that governance factors are a key investment consideration because companies with poor corporate governance are likely to represent a risk to performance. Poor corporate governance may lead to action taken by regulatory bodies, reputational damage and reduced profitability.

The Trustee has considered how ESG and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Plan and its members.

The Trustee believes that consideration of ESG risks is a financially material component of our investment framework. The Trustee endeavours to monitor how our investment managers take ESG issues into account in practice on a regular basis.

The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and reviews how its managers are taking account of these issues in practice.

The Trustee has limited influence over managers' investment practices where assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

Non-financial matters relate to the ethical views of members and beneficiaries that are not concerned with the Trustee's overriding fiduciary duty to provide good financial outcomes for the members. The Trustee understands members may hold non-financial beliefs but, given the varied and personal nature of these beliefs, it does not currently consider there to be a commonly held view that should be part of the Trustee's investment policy. The Trustee will review this from time to time.

5. Stewardship

The Trustee recognises its responsibilities as an owner of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries.

The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice.

6. Realisation of assets

The Investment Managers have responsibility for the realisation and trading of the underlying assets. The day-to-day activities which the Investment Managers carry out for the Trustee are governed by the arrangements between the Investment Managers and the platform provider. All funds available are daily priced and trade daily.

7. Compliance with this SIP

The Trustee will monitor compliance with this SIP annually. In particular it will seek to obtain written confirmation from the investment managers that they have complied with this SIP as supplied to them and the Trustee undertakes to advise the investment managers promptly, and in writing, of any material change to this SIP.

8. Review of this SIP

The Trustee will review this SIP no less frequently than every three years. Any such review will be based on written, expert investment advice and will be in consultation with the Principal Employer and, where appropriate, the employer.

In addition, the Trustee will review this SIP in response to any material changes to any aspects of the Plan, including its liabilities, finances, the demographic profile of its membership and the attitude to risk of the Trustee, which it judges to have a bearing on the stated Investment Policy.

Approved: Robert Charles Hunt
Robert Charles Hunt (Sep 29, 2020 15:57 GMT+1) …………………………… Date: Sep 29, 2020 …………………………….
Trustee

Approved: Christophe Bellynck
Christophe Bellynck (Sep 29, 2020 16:23 GMT+1) …………………………… Date: Sep 29, 2020 …………………………….
Trustee