Chair's DC Governance Statement, covering 1 January 2022 to 31 December 2022

1. Introduction

The **Eaton UK Pension Plan** (the "Plan") is an occupational pension scheme providing defined benefit ("DB") and defined contribution ("DC") benefits (a DC pension scheme is where employee and employer contributions are paid into it, and the member chooses their investments, but bears the investment risk). Some members also have Additional Voluntary Contributions ("AVCs") in the Plan.

Governance requirements apply to DC pension arrangements, to help members achieve a good outcome from their pension savings. We, the Trustee of the Plan, are required to produce a yearly statement (signed by the Chair of the Trustee) covering:

- the design and oversight of the investment options in which Plan members can invest (including lifestyle strategies, and fund which members can select or have assets in, such as "legacy" funds);
- processing of core financial transactions (i.e., administration of the Plan, such as investment of contributions);
- the charges and transaction costs borne by members for the lifestyle option and any other investment option members can select or have assets in, such as "legacy" funds;
- an illustration of the cumulative effect of these costs and charges;
- net returns of the investment options;
- how the value members obtain from the Plan is assessed; and
- Trustee knowledge and understanding.

The key points that we would like members reading this Statement to take away are as follows:

- The Trustee regularly monitors the investment arrangements, and is satisfied that the investment options remain suitable for the membership but will review this further in 2023 and the Trustee will include details in next year's Statement.
- Overall, the administrators (WTW and Standard Life) have processed core financial transactions promptly and accurately to an acceptable level during the Plan year, and we remain comfortable with their performance.
- Fees can have a material impact on the value of your pension savings and the fee impact is greater the more time passes, since fees reduce the amount of money that can grow with future investment returns.
- Fees for the investment options are set out in this Statement, and we remain comfortable that these fees are reasonable given the circumstances of the Plan and represent value for the benefits members obtain, however, the Trustee continues to identify areas where value can be improved (such as the ongoing review of the Money Purchase Accounts "MPA" arrangements)
- For members of the Plan that have individual Money Purchase Accounts ("MPA") with Standard Life, the Trustee has negotiated an increased fee rebate during the Plan year. Further information on this has been detailed in section 6 of this Statement.
- Please rest assured that the Trustee is looking after your best interests as members and undertakes training and receives advice as appropriate so that they have sufficient knowledge and understanding to do so effectively.

The Plan contains the following DC arrangements:

1.1 Individual Member Accounts ("IMA")

Individual Member Accounts (sometimes referred to as "AV DC" funds) represent historic benefits that some Plan members accrued with Aeroquip Vickers which was subsequently acquired by Eaton. The investment platform provider of the investment funds for the IMAs is Aegon.

IMAs are no longer open to new or additional contributions, or to new members. They also benefit from a defined benefit underpin as a result of the arrangement having been contracted-out of state benefits on Guaranteed Minimum Pension and / or Reference Scheme Test basis.

1.2 *Other DC arrangements*

Some members of the Plan have individual Money Purchase Accounts ("MPA") which were established under a predecessor scheme (the Eaton UK Retirement Benefits Plan). MPAs are no longer open to new members or to new or additional contributions.

All members of the Plan have access to an Additional Voluntary Contribution ("AVC") arrangement.

Standard Life ("SL") is the bundled platform provider for the MPA and AVC sections. There was also one member with an Utmost Life and Pensions ("Utmost") AVC policy during the Plan year, but this member disinvested their assets on 2 March 2022, during the Plan year.

This Statement covers all of the DC arrangements over the period from 1 January 2022 to 31 December 2022.

Under each arrangement the member is responsible for selecting one or more funds for the investment of their account, having regard to their attitude to the risks involved. The Trustee also offers lifestyle investment options (i.e., strategies that change asset allocation automatically as invested members approach their selected retirement date). There are two lifestyle arrangements, one available within IMA and one under the MPA section.

2. Default arrangements

While the Plan is a Qualifying Scheme, the DC arrangements in the Plan are not being used as a Qualifying Scheme for automatic enrolment purposes. The Trustee has taken legal advice and has been informed that Regulation 3 of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 does not apply to the DC arrangements covered by this Statement. This is because they are not "relevant schemes" under the terms of the regulations, as there have been no contributions other than AVCs since 6 April 2015. Based on this legal advice, the Trustee understands that the normal requirements that apply to the reporting associated with default arrangements do not apply to the Plan. The current range of investment funds is detailed in the Statement of Investment Principles ("SIP"), which is attached to this document.

The Trustee has made available a range of investment options in the IMA and MPA/AVC arrangements for Plan members, which it aims to review at least every three years but were not reviewed during the period covered by this Statement, other than an annual review of the MPA/AVC arrangements which took place on 30 August 2022.

The Trustee is responsible for investment governance, which includes setting and monitoring the investment strategy for the IMA and MPA/AVC arrangements.

The IMA section was last reviewed on 20 February 2020. The performance and strategy of the IMA arrangement were reviewed to ensure that investment returns (after deduction of any charges) have been reasonable, and to check that it continues to be suitable and appropriate, give the Plan's risk profiles and membership. Following the review, the changes that took place in the previous Plan year were as follows:

Lifestyle changes

- membership analysis identified that a lifestyle targeting drawdown at retirement would be more appropriate than the previous annuity lifestyle (for members who were more than one year from their target retirement age). Therefore, the lifestyle was updated on 19 April 2021 to target drawdown, which included adding a diversified growth fund ("DGF") to the de-risking phase. Members who were invested in the annuity lifestyle and were less than one year from their target retirement age were not moved to the drawdown lifestyle. These members remain in the annuity lifestyle unless they made an alternative investment choice.
- lengthened the de-risking phase in the lifestyle from 5 to 15 years;
- replaced the equity component with a more globally focused equity fund (based on the market capitalisation of the underlying country weights in a standard global market index); and
- removed the allocations to the gilts and corporate bond funds within the lifestyle.

Fund range changes

- removed the two active equity self-select funds;

- removed the passive global equity fund in favour of a more globally diverse equity fund (which is the same fund added to the lifestyle targeting drawdown);
- added two passive equity funds – a UK equity fund and a global equity fund – to provide members with alternative options, following the removal of the two active equity funds; and
- removed two of the gilt funds.

Members who were invested in the funds which were removed were given the option to select an alternative investment prior to the changes being implemented. If members did not choose an alternative investment, they were mapped to an equivalent fund. The Trustee sought legal advice prior to implementing these changes which confirmed that theses mappings would not create default arrangements.

The agreed changes were implemented in April 2021, the previous Plan year.

The Trustee began its triennial review of the investment options in the IMA section in January 2023 after the Plan Year covered by this statement and the Trustee will include details in next year's Statement.

The MPA/AVC Section's member demographics were not reviewed over the Plan Year, but a proportionate review of performance and ongoing suitability of the arrangement was assessed in August 2022. The Trustee is undertaking a review in 2023 to assess whether it is, or is likely to be, in the members' best interests to move from the bundled arrangement with Standard Life to another arrangement, still within the Plan.

In addition to the triennial strategy review, the Trustee also reviews the performance of the lifestyle and self-select funds in the IMA section against their objectives on a quarterly basis and the MPA/AVC section on an annual basis. This review includes performance analysis to check that the risk and return levels meet expectations. The reviews over the Plan year concluded that the arrangements were performing broadly as expected and consistently with the aims and objectives as stated in the SIP.

3. Requirements for processing core financial transactions

3.1 IMA

The processing of core financial transactions is carried out by the administrator of the Plan, WTW. Core financial transactions include (but are not limited to): the investment of contributions, processing of transfers in and out of the Plan, transfers of assets between different investments within the Plan, and payments to members/beneficiaries.

The Trustee recognises that delay and error can cause significant issues for members. They can also cause members to lose faith in the Plan, which may in turn reduce their propensity to save and impair future outcomes. The Trustee has received assurance from WTW that there are adequate internal controls to support prompt and accurate processing of core financial transactions.

With regard to DC-specific core transactions, the Trustee confirms the following:

- there are no new contributions being made into IMA or MPA funds. New contributions paid as AVCs are processed by WTW in accordance with the service level agreement ("SLA") that is in place (please see below).
- the Trustee does not accept transfers into the Plan. Any transfers out are processed by WTW in accordance with the SLA.
- members with AVCs and MPA funds can arrange switches between investment funds directly with SL. Members with IMA funds can request a switch form from WTW or can facilitate this through WTW's online member platform.
- payments to members and beneficiaries are also processed in accordance with the SLA (which often coincide with defined benefit payments from the Plan).

The Plan has an SLA in place with WTW, the administrator of the IMA section, which covers the accuracy and timeliness of all core financial transactions. The key processes adopted by WTW to help it meet the SLA are as follows:

- preparation of a quarterly administration report, which is presented to the Trustee's Administration Committee and includes performance against SLAs covering timeliness for core transactions;

- a task logging system which is reviewed weekly for forthcoming workloads and tasks are allocated on a daily basis;
- monthly cash reconciliation;
- all monetary transactions are peer reviewed and authorised by a senior administrator (transactions less than £100,000) and a senior administrator and a team leader (transactions more than £100,000 but less than £250,000) or a senior administrator and an administration manager (transactions over £250,000). Transactions are reviewed and released for payment by a treasury administrator, with final authorisation by an administration manager (or above); and
- bank balances are reviewed daily by the administrator's treasury team.

To help the Trustee monitor whether service levels are being met, it receives quarterly reports about WTW's performance and compliance with the SLA. Any issues identified as part of the Trustee's review processes would be raised with the administrators immediately, and steps would be taken to resolve the issues.

WTW's quarterly reports include membership statistics, administrative work details and performance against SLAs, financial reporting and key events (such as member complaints). The Trustee uses these reports to ensure that core financial transactions, as well as other key administrative processes, are completed accurately and promptly. If any errors or unreasonable delays or responses are identified, the Trustee, via its Administration Committee, holds WTW to account and seeks to ensure that such issues are rectified and prevented from reoccurring.

The Plan has an SLA in place with the administrator which covers the accuracy and timeliness of all core financial transactions. WTW has achieved 83% of its targeted SLAs over the period covered by this Statement. This is an improvement (from 69%), compared to the previous Plan year – service levels saw an improvement throughout the Plan Year as shown in the table below.

Quarter	SLA
Q1 2022	72%
Q2 2022	83%
Q3 2022	84%
Q4 2022	91%

WTW confirmed that they provided regular updates to the Trustee during 2022 on the plan to reduce the work outside of SLA as a priority. This was completed and performance relative to SLA's have continued to improve. The Trustee will monitor progress at each Administration Committee meeting when reviewing the administration reports.

The Trustee will continue to monitor the SLAs on an ongoing basis.

Based on its review processes, the Trustee is satisfied that over the period covered by this Statement (and allowing for the factors highlighted above):

- the administrator was operating appropriate procedures, checks and controls, and operating within the agreed SLA;
- there have been no material administration issues in relation to processing core financial transactions; and
- core financial transactions have been processed promptly and accurately to an acceptable level during the Plan year.

3.2 Other DC arrangements (MPA and AVC)

The Trustee also has MPA and AVC policies with SL and, until 2 March 2022 Utmost. The Trustee has requested information relating to the processing of core financial transactions from both providers.

Although SL have not explicitly confirmed, the SLA data that we have received shows that all but one of the core financial transactions were dealt with promptly and accurately over the period. There is a standard SLA covering the accuracy and timeliness of all core transactions which targets completing 90% of all requests within 10 working days for core financial transactions. It also operates an internal controls statement which outlines information about processing of these core financial transactions. Governance and oversight arrangements are in place to monitor SLA performance against defined service levels and risk standards. Authorising and processing transactions and achieving the stated SLA is managed through controlled systems including, but not limited to, the following actions:

- automated systems are designed to ensure consistent, timely and accurate receipt and allocation to the correct funds for regular and single payments;

- regular monitoring of process and people performance, including control self-assessment reviews;
- reconciliations are carried out between Finance and Customer Operations to ensure contributions are accurately recorded;
- documented business procedures are in place for contributions processes;
- compliance with processes is supported by an automated workflow system that ensures work is enabled, tracked and managed;
- a dedicated control team actively manages manual payments (including automation failures) and the reporting of missed contributions to the Pensions Regulator ("TPR");
- an automated quotes system, which ensures the consistent application of calculations;
- Plan rules and policy provisions are coded within automated systems that have been built and tested to establish project management practices; and
- a quality assurance framework is in place to ensure that payments are processed in line with the defined processes and service levels.

The Trustee has four policies with SL for the Plan. Service levels between 1 January and 31 December 2022 were as follows:

Plan policy number	Requests completed within 5 working days	Requests completed within 10 working days -
H93065	40%	77%
H93066	50%	100%
H93448	42%	85%
H93762	31%	74%

Since 2 March 2022, the Plan no longer has any policies with Utmost. However, Utmost was unable to provide Plan-specific information relating to the core financial transactions for the Plan year. The Trustee does not have an individual SLA in place with Utmost; Utmost has a set of service level standards, rather than targets which are set at the product or Plan level. Utmost aims to reply to most requests within 10 days, with payments completed within 5 days where possible. Utmost has confirmed that all SLA agreements were met over the year with 95% of payments out made within 5 days, 95% of illustrations completed within 10 days and 90% of general servicing completed with 10 days across all of its business (not for the Plan specifically).

Based on its review processes and the data available, the Trustee is satisfied that over the period covered by this Statement that in most cases core financial transactions have been processed promptly and accurately during the Plan year by Standard Life and Utmost. However, the Trustee will continue to monitor the services provided in the coming Plan year to ensure members are not adversely affected by any activities completed outside of service levels.

4. Member-borne charges and transaction costs

The Trustee is required to set out the on-going charges incurred by members over the period covered by this Statement, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds.

The Trustee is also required to disclose transaction cost figures. In the context of this 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. Transaction costs are borne by members.

In respect of the IMAs, the charges and transaction costs have been supplied by the Plan's platform provider (Aegon). IMA members only pay for the investment management costs for the funds in which they are invested, as Plan administration is covered by the Employer/Trustee. The statement charges are shown as a per annum ("pa") figure,

In respect of the other DC arrangements (including the MPAs and AVCs), the charges and transaction costs have been supplied by the providers in place during the period, Utmost and SL. The stated charges for MPA and AVC funds are shown as a pa figure also include administration costs, since members incur these costs.

When preparing this section of the Statement the Trustee has taken account of the relevant statutory guidance. Under the prescribed way in which transaction costs have been calculated it is possible for figures to be negative, where market movements are favourable between the time a trade is placed and it is executed. The Trustee has shown any negative figures in the tables for the year as provided, but for the costs and charges illustrations the Trustee has used zero where a transaction cost is negative to give a more realistic projection (i.e., it would not expect transaction costs to be negative over the long term).

Investment charges for IMAs

4.1 Drawdown lifestyle strategy

Members with IMAs are able to invest in a lifestyle strategy which from 19 April 2021 targets drawdown at retirement. A lifestyle approach is one where members' assets are automatically moved between different investment funds as they approach their retirement date. This means that the level of charges and transaction costs vary, according to each member's proximity to retirement and the underlying funds in which they are invested. The annual charges ranged from 0.14% to 0.33% pa, depending on the invested member's proximity to retirement. Transaction costs varied from 0.00% to 0.91%.

For the period covered by this Statement, annualised charges and transaction costs are set out in the following table.

Drawdown lifestyle charges and transaction costs

Years to target retirement date	TER	Transaction costs
20 or more years to retirement	0.14%	0.00%
15 years to retirement	0.16%	0.08%
10 years to retirement	0.25%	0.51%
5 years to retirement	0.32%	0.86%
At retirement	0.33%	0.91%

Annuity Lifestyle (legacy lifestyle) charges and transaction costs

Members who were within one year of their Target Retirement Age ("TRA") when the Drawdown Lifestyle was introduced (in April 2021) were permitted to remain within the Annuity Lifestyle. WTW have however confirmed that four members with more than one year to their TRA remain invested in the Annity Lifestyle. As such, we have shown charges applicable to the remaining members in the lifestyle.

Years to target retirement date	TER	Transaction costs
6 years or more to retirement	0.13%	0.02%
At retirement	0.13%	0.26%

4.2 IMA fund range

The level of charges for each individual fund and the transaction costs over the period covered by this Statement are set out in the following table.

Funds that are used within the IMA Drawdown Lifestyle strategy are shown in **bold.**

Fund name	TER (% pa)	Transaction costs (% pa)
Aegon BlackRock MSCI World Index Fund	*0.14%*	*0.00%*
Aegon BlackRock Aquila Life Market Advantage	*0.39%*	*1.21%*
Aegon BlackRock Aquila Life 60:40 Global Equity Index Fund[1]	0.13%	0.02%
Aegon BlackRock ACS UK Equity Index Fund	0.13%	0.07%
Aegon BlackRock Aquila Life Corporate Bond All Stocks Index Fund	0.16%	0.04%
Aegon BlackRock Aquila Life Over 15 Years UK Gilt Fund[1]	0.11%	-0.01%
Aegon BlackRock Aquila Life All Stocks UK Gilt Index Fund[1]	0.10%	0.07%
Aegon BlackRock All Stocks UK Index Linked Gilt Index Fund[1]	0.10%	0.98%

Fund name	TER (% pa)	Transaction costs (% pa)
Aegon BlackRock Aquila Life Cash Fund	0.13%	0.01%

Source: Aegon, as at 31 December 2022. [1]This option was removed as a self-select option as part of the transition that took place in April 2021. Lifestyle assets remain invested.

Investment charges for other DC arrangements (MPA and AVC)

4.3 Cash Lifestyle Strategy

In the other DC arrangements (MPA and AVC), members are able to invest in a lifestyle strategy which targets cash withdrawal at retirement. The annual charges ranged from 0.51% to 0.71% pa, depending on the invested member's proximity to retirement. Transaction costs varied from 0.03% to 0.35%.

Cash lifestyle charges and transaction costs

Years to target retirement date	TER (% pa)	Transaction costs (% pa)
5 or more years to retirement	0.70%	0.33%
At retirement	0.55%	0.10%

Source: Standard Life, TER as at 30 January 2023 and transaction costs as at 31 December 2022.

4.4 MPA and AVC Individual funds (non-lifestyle)

Funds that are used within the MPA and AVC cash lifestyle strategy are shown in **bold.**

Fund name	TER (% pa)	Transaction costs (% pa)
SL Vanguard FTSE UK All Share Index Pension Fund	0.52%	0.10%
SL Global Equity 50:50 Tracker Pension Fund	0.51%	0.03%
SL BlackRock ACS World (Ex UK) Equity Pension Fund	0.51%	0.02%
SL Abrdn Global Absolute Return Strategies Pension Fund[1]	1.03%	0.74%
SL Corporate Bond Pension Fund	0.51%	0.05%
SL Index Linked Bond Pension Fund	0.51%	0.06%
SL Annuity Targeting Pension Fund	0.51%	0.06%
SL Deposit and Treasury Pension Fund	0.51%	0.04%
SL Managed Pension Fund (non-core fund closed to future Plan contributions)	0.52%	0.18%
SL BlackRock Market Advantage Pension Fund	0.78%	0.46%
Utmost Money Market	0.50%	0.00%
Standard Life With Profits One 2006 Fund	Not disclosed*	0.02%
Standard Life With Profits One Fund	Not disclosed*	0.02%

Source: The fees shown above for the Standard Life funds are after the allowing for the Plan rebate of 0.50% pa. TER has been confirmed by SL as at 30 January 2023 and transaction Costs have been confirmed as at 31 December 2022. TER and transaction costs for Utmost is accurate as at 31 December 2022.
** TERs not provided by Standard Life for the with profits funds as it is implicit. This information was also not available last year and the Trustee's advisers will continue to liaise with Standard Life on a regular basis to attempt to obtain this information, with the aim of including this information in next year's statement.*
[1]This fund was replaced by SL BlackRock Market Advantage Pension Fund within the lifestyle strategy during the previous Plan year.

Illustration of charges and transaction costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, we had regard to the relevant statutory guidance.

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the managers over the past five years (with the exception of BlackRock MSCI World Index Fund and BlackRock Aquila Life Market Advantage Fund which is over a two-year period given the more recent inception within the Plan), subject to a floor of zero (so the illustration does not assume a negative cost over the long term). The Trustee has used the average annualised transaction costs over the past five years as this is the longest period over which figures were available and should be more indicative of longer-term costs compared to only using figures over the Plan year.
- The illustration is shown for the IMA lifestyle that was in place as at 31 December 2022, implemented in April 2021, as well as two funds from the Plan's self-select fund range in which members were invested at 31 December 2022. We have excluded MPA and AVC funds within our illustrations due to the small proportion of assets held relative to the IMAs within the Plan. The two self-select funds shown in the illustration are:
    - the fund with highest annual member borne costs (TER plus Plan Year transaction costs) – this is the Aegon BlackRock Aquila Life Market Advantage (IMA funds)
    - the fund with lowest annual member borne costs – this is the Aegon BlackRock Aquila Life Over 15 Years UK Gilt Fund (IMA funds).

Projected pension pot in today's money

	IMA Lifestyle		Aegon BlackRock Aquila Life Market Advantage Fund		Aegon BlackRock Aquila Life Over 15 Years UK Gilt Fund	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£12,300	£12,300	£12,200	£12,000	£11,800	£11,800
3	£12,900	£12,900	£12,500	£12,100	£11,500	£11,400
5	£13,600	£13,500	£12,900	£12,200	£11,100	£11,100
10	£15,400	£15,100	£13,900	£12,500	£10,300	£10,200
15	£17,100	£16,500	£15,000	£12,700	£9,600	£9,400
20	£18,800	£17,500	£16,200	£12,900	£8,900	£8,700
25	£19,700	£17,600	£17,400	£13,200	£8,200	£8,000

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. The long-term annual inflation assumption used is 2.5%.
- The starting pot size used is £12,000. This is the approximate average (median) pot size for active members in the lowest five-year age bracket (40-45 years old), as opposed to using a whole Plan membership average. The Trustee has taken this approach to provide a more realistic projection.
- The projection is for 25 years, being the approximate duration that the youngest Plan member has until they reach the Plan's Normal Pension Age (65).
- No contributions have been assumed to be paid, since the Plan is closed to future contributions, other than AVCs.
- The projected annual returns used are as follows:
  - Lifestyle options: Drawdown Lifestyle Strategy (IMA) – returns vary from 5.0% p.a. to 0.5% p.a. depending on the lifestyle and the period of time to retirement.
  - Aegon BlackRock Aquila Life Market Advantage – 4.0% p.a.
  - Aegon BlackRock Aquila Life Over 15 Years UK Gilt Fund – 1.0% p.a.
- No allowance for active management outperformance has been made.

Since members do not contribute, the projected pension pot figures are determined by assuming projected annual returns, inflation and costs. Due to these factors, it would be possible that projected pots for funds with lower projected returns would decrease in real terms due to inflation however values shown are estimates and are not guaranteed; these may be higher or lower in practice.

5. Investment returns

This section shows the annual return, after the deduction of member borne charges and transaction costs, for all investment options in which member assets were invested during the Plan Year.

The With-Profits fund returns stated are that of the underlying investments, which are the only figures that can be quoted. With Profits Funds are designed to smooth the returns members receive over their investment term and underlying investment returns are not the only factor determining the return members receive.

For arrangements where returns vary with age, such as for the lifestyle strategies, returns are shown over the Plan year for a member aged 25, 45 and 55 at the start of the period. The returns assume members plan to retire at 65.

IMA drawdown lifestyle net returns over period to Plan year end

Age of member at the start of the period	1 year (%)
25	0[1]
45	-7.4
55	3.0

MPA cash lifestyle net returns over period to Plan year end

Age of member at the start of the period	1 year (%)
25	0[1]
45	-8.9
55	-8.9

Notes

- [1]The Plan is closed to new members and the youngest member of the Plan is older than 25. The net returns for a 25-year-old therefore is equal to 0 as there were no members of this age in the Plan.

IMA individual fund net returns over period to Plan year end

Fund name	1 year (%)	5 year (%)
Aegon BlackRock MSCI World Index Fund[1]	-7.4	-
Aegon BlackRock Aquila Life Market Advantage[1]	-13.9	-
Aegon BlackRock Aquila Life 60:40 Global Equity Index Fund[3]	-2.9	4.3
Aegon BlackRock ACS UK Equity Index Fund[1]	-0.5	-
Aegon BlackRock Aquila Life Corporate Bond All Stocks Index Fund	-17.8	-1.6
Aegon BlackRock Aquila Life Over 15 Years UK Gilt[2] Fund	-40.3	-6.7
Aegon BlackRock Aquila Life All Stocks UK Gilt Index Fund[2]	-23.9	-3.5
Aegon BlackRock All Stocks UK Index Linked Gilt Index Fund[2]	-35.1	-4.5
Aegon BlackRock Aquila Life Cash Fund	1.3	0.6

[1] Funds were added to the fund range in April 2021 and therefore 5 year performance is not applicable to the Plan. [2] This option was removed as a self-select option as part of the transition that took place in April 2021. Lifestyle assets remain invested.

MPA and AVC individual net returns over period to Plan year end

Fund name	1 year (%)	5 year (%)
SL Vanguard FTSE UK All Share Index Pension Fund	-0.1	2.4
SL Global Equity 50:50 Tracker Pension Fund	-3.9	5.7
SL BlackRock ACS World (Ex UK) Equity Pension Fund	-9.9	8.3

Fund name	1 year (%)	5 year (%)
SL abrdn Global Absolute Return Strategies Pension Fund	-9.5	-0.8
SL Corporate Bond Pension Fund	-17.8	-1.7
SL Index Linked Bond Pension Fund	-38.2	-5.5
SL Annuity Targeting Pension Fund	-26.0	-4.1
SL Deposit and Treasury Pension Fund	0.9	0.1
SL Managed Pension Fund	-7.5	3.0
(non-core fund closed to future Plan contributions)		
SL BlackRock Market Advantage Pension Fund	-13.8	-
(invested on 28 September 2021)		
Utmost Money Market[1]	0.85	0.16
Standard Life With Profits One 2006 Fund	-6.3	2.0
Standard Life With Profits One Fund	-6.3	2.0

[1] There was one member invested in the Utmost Money Market Fund within the Plan year. However, since 9 March 2022, the Plan no longer has any policies with Utmost.

6. Value for members assessment

The Trustee is required to assess every year the extent to which member borne charges and transaction costs represent good value for members and to explain that assessment. 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 all member-borne charges (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 date of the last review was 23 March 2023, which covered the same period as this statement.

The Trustee notes that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. The Trustee's investment advisers, Lane Clark & Peacock LLP, have confirmed that the fund charges are competitive for the IMA section. For the MPA section, charges are broadly in line with those typically seen for schemes such as the Plan, taking into account the largely legacy nature of the assets and the fact that there have been no contributions into the Plan for several years (except for AVCs). However, following last year's value for members assessment, Lane Clark & Peacock LLP approached Standard Life on behalf of the Trustee to negotiate lower fees. As a result, Standard Life offered to increase the rebate it applies to all funds from 0.40% to 0.50%, This was implemented by the Trustee for Plan members in September 2022. Members invested in the MPA and AVC sections therefore now receive a rebate of 0.50% pa from Standard Life which was increased by 0.10% pa during the Plan Year and is reflected in the fees shown in Section 4. The Trustee believes that this has narrowed the gap when compared to other schemes of a similar size to the Plan and with similar funds, and the fund charges remain comparable, but continues to look for opportunities to improve the value delivered to members.

The Trustee's assessment included a review of the performance of the Plan's investment funds (after all charges and transaction costs) in the context of their investment objectives. The returns on the investment funds members can choose during the period covered by this statement have been consistent with their stated investment objectives.

In carrying out the assessment, the Trustee also considers the other benefits members receive from the Plan which include*:*

- The oversight and governance, including ensuring the Plan is compliant with relevant legislation, and holding regular meetings to monitor the Plan and address any material issues that may impact members;
- the design of the lifestyle strategy and how this reflects the interests of the membership as a whole;
- the range of investment options and strategies;
- the quality of communications delivered to members;
- the quality of support services, such as the Plan website where members can access fund information online; and
- the efficiency of administration processes and the extent to which WTW met or exceeded its service level standards.

As detailed in the earlier section covering the processing of core financial transactions, the Trustee is comfortable with the quality and efficiency of the administration processes.

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

It is the Trustee's policy to review all member-borne charges on a regular basis and aim to ensure that members are obtaining value for money, given the circumstances of the Plan.

In carrying out the assessment, the Trustee has worked with its DC Investment advisers to carry out an assessment of the extent to which all key elements of the Plan represent value for members. The Trustee's assessment included a rating of the Plan for the following seven criteria. This summary sets out the Trustee's rating and the rationale behind it. The Trustee has chosen a rating ranging from poor, fair, good to very good.

- Charges – Good – The Trustee/Company meets the majority of the Plan's running costs for IMA members resulting in the majority of the costs borne by members being competitive. The costs for the MPA/AVC section are relatively high but this is to be expected, given the size of the Plan.
- Administration – Fair – The Trustee/Company covers the cost of the administration for the IMA section. Members in the MPA/AVC sections incur the costs of Standard Life's administration. The Trustee will continue to monitor the member experience with WTW to ensure the level of service continue to improve.
- Governance – Very good – The Trustee Board keeps itself informed of key regulatory requirements and is committed to running the Plan. For example, over the Plan year, the Trustee Directors received training on various topics including Pensions Dashboards, the General Code of Practice, and climate change governance and reporting. It is important that the Trustee Board continues to keep up to date with regulatory updates and current market trends.
- Communications – Very good – Communications are easily accessible and effort has been made to encourage engagement for the new online portal including adding it to the Plan's website homepage. The Trustee will continue to monitor the use of ePA to identify areas where members might benefit from additional support.
- Lifestyle arrangements – Good – The passive funds used in the growth phase of the lifestyles have tracked their benchmark over all time periods to 31 December 2022. The Trustee has commenced its triennial strategy review in 2023, after the Plan year end, and will report on any changes in next year's Statement.
- Investment range and performance – Good - There is a clear and concise range of appropriate self-select funds across the IMA and MPA/AVC sections, covering most of the main asset classes. The Trustee will review whether the self-select investment range remains appropriate for the Pan's membership, as part of the triennial strategy review in 2023.
- Post-retirement services – Fair – The at-retirement support remains limited, given the Plan's particular characteristics and rules governing how benefits can be taken. However, the Trustee will monitor any changes in member activity as a result of the implementation of Stronger Nudges. Furthermore, the Trustee will monitor how members are behaving at the point of retirement and access whether any additional support may be beneficial.

Overall, the Trustee believes that members of the Plan are receiving good value for money for the charges and cost that they incur, for the reasons set out in this section.

7. Trustee knowledge and understanding

The Plan's Trustee Directors are required to maintain appropriate levels of knowledge and understanding to run the Plan effectively. The Trustee has measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. This, together with the advice available, enables the Trustee to exercise its function properly and run the Plan effectively, having due regards to the Trust Deed and Rules of the Plan, the current Statement of Investment Principles ("SIP"), and the various policies that the Trustee has in place. The Trustee's business and decision-making is recorded in the minutes of meetings by the appointed Plan Secretary.

Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

- receiving regular training from its investment advisers, Lane Clark & Peacock LLP, during meetings;
- receiving regular legislative and regulatory updates from its investment, actuarial, administration and legal advisers, Baker & McKenzie LLP; and
- being encouraged to attend relevant, externally provided seminars and conferences, including those facilitated by their various advisers.

The Trustee, with the help of its advisers, regularly considers training requirements to identify any knowledge gaps. The last knowledge gap exercise was conducted in May 2021 and the training requirements resulting from this exercise are considered during meeting planning. The Trustee's investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustee's advisers typically deliver training on such matters at Trustee meetings if they are material. During the period covered by this Statement, we received training on the following topics:

- Pensions Dashboards, provided by WTW;
- The General Code of Practice: and DWP requirements about climate change governance and reporting, both provided by Lane Clark & Peacock LLP; and
- charge cap changes, provided by Baker McKenzie, the Trustee's legal advisers.

All the Trustee Directors are familiar with and have access to copies of the Plan's governing documentation and documentation setting out our policies, including the Trust Deed & Rules and SIP (which sets out the policies on investment matters). In particular, the Trustee refers to the Trust Deed and Rules as part of considering and deciding to make any changes to the Plan, and the SIP is formally reviewed annually and as part of making any change to the Plan's investments. Further, the Trustee believes that it has sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil its duties.

In addition, the Chair of the Trustee, Rachel Brougham is an independent Trustee representing BESTrustees Limited. This brings an additional level of experience of the financial sector through other appointments that Rachel has held and her previous role as an actuarial and pensions consultant. The other Trustee Directors are former and current employees, including pensioner members. The majority of the Trustee Directors are experienced, having been in place for a number of years with predecessor schemes.

All the Trustee Directors, as at 31 December 2022, have completed the Pensions Regulator's Trustee Toolkit (an online learning programme, designed to help trustees of pension schemes meet the minimum level of knowledge and understanding required by law). All new Trustee Directors are expected to complete TPR's Trustee Toolkit within six months of appointment (this requirement is being met). In addition to the Toolkit, new Trustee Directors receive an induction pack containing key Plan documents and a meeting is arranged with the Chair, key advisers and the Trustee Secretary to discuss Plan matter in more detail. One new Trustee was appointed after Plan year end and is currently going through the required training.

Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration and during the Plan year. A training log is maintained by the Plan Secretary in line with best practice and the training programme is reviewed annually to ensure it is up to date. Additionally, the Plan has in place a structured induction process for new Trustee Directors, as noted above.

Considering the Trustee knowledge and experience and the specialist advice received from the appointed professional advisors (e.g., investment consultants, legal advisors), the Trustee believes that they are well placed to exercise their functions as Trustee Directors of the Plan properly and effectively.

R A Brougham Date: 27 July 2023

Signed by the Chair of the Trustee of the Eaton UK Pension Plan

Statement of Investment Principles for the Eaton UK Pension Plan

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of the Trustee of the Eaton UK Pension Plan (the "Trustee") on various matters governing decisions about the investments of the Eaton UK Pension Plan (the "Plan"), a Plan with Defined Benefit ("DB"), Defined Contribution ("DC") and Hybrid sections. The DC section consists of Additional Voluntary Contributions ("AVC") and Money Purchase Accounts ("MPA") and the Hybrid section is in respect of Individual Member Accounts ("IMA"). This SIP replaces the previous SIP dated 19 April 2022.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act"), the Occupational Pension Schemes (Investment) Regulations 2005, the Pension Regulator's guidance for defined benefit pension schemes (March 2017), and the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

This SIP has been prepared after obtaining and considering written professional advice from LCP, 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 has consulted with the relevant employer in producing this SIP.

The Trustee will review this SIP from time to time and, with the help of its advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, and at least once every three years.

- Appendix 1 sets out details of the Plan's investment governance structure, including the key responsibilities of the Trustee, investment advisers and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.
- Appendix 2 sets out the Trustee's policy towards risk appetite, capacity, measurement and management.
- Appendix 3 sets out the Plan's investment manager arrangements.

2. Investment objectives

2.1. DB Section

The primary objective for the DB Section is to ensure that the Plan should be able to meet benefit payments as they fall due. In addition to this primary objective, the Trustee has a series of additional objectives:

- the acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions, the cost of current and future benefits which the Plan provides;
- to limit the risk of the assets failing to meet the liabilities over the long term, in particular in relation to the Scheme Specific Funding Requirement; and

- to minimise the long-term costs of the Plan by maximising the return on the assets whilst managing and maintaining investment risk at an appropriate level, and having regard to the other objectives.

What the Trustee determines to be an appropriate level of risk is set out in Appendix 2.

2.2. DC and Hybrid Sections

For the DC and Hybrid Sections, the Trustee's objectives are to provide members with access to:

- an appropriate range of investment options, reflecting the membership profile of the DC and Hybrid Sections, and the variety of ways that members can draw benefits in retirement; and

- in fulfilling this first objective, to make available to members a range of investments via pooled funds which seek to achieve real returns on members' assets while controlling the risks arising from the potential volatility of such investments.

It is for each member to decide which funds they wish to use at any time.

3. Investment strategy

3.1. DB Section

The Trustee of the Plan, with the help of its advisers and in consultation with the employer, will consider alternative asset classes, having reviewed the investment strategy as part of the 2019 actuarial valuation. These considerations will not necessarily require a full strategy review, including full analysis of the interaction between invested assets and liabilities. However, consideration will be given to the objectives described in Section 2 above and full strategy reviews will be undertaken from time to time.

Following consideration of some alternative asset classes, the Trustee agreed that the investment strategy of the Plan should be based on the allocation below.

Asset class	Approximate Strategic allocation
UK equities	7%
Overseas equities	28%
Diversified growth	5%
Real Assets	15%
UK corporate bonds	10%
Liability driven investments ("LDI") (including collateral)	35%
Target interest rate and inflation hedging (Technical Provisions basis)	90%
Total	100%

It should be noted that deviations from this allocation are valid and indeed to be expected. This is in part due to the way that the LDI portfolio is considered to provide a desired approximate level of hedging of interest rate and inflation risks, and so a fixed percentage allocation is not an appropriate means by which to summarise this allocation. In addition, the need to have liquidity to respond to potential collateral requirements for the LDI portfolio will also cause deviations from the above allocations over time.

Following discussions with the Company, in October 2022 the Trustee decided to take a tactical deviation from the above strategic asset allocation (a c10% underweight to growth assets with a corresponding overweight to LDI and collateral), to top up the collateral available for the Plan's LDI holdings to maintain the existing level of liability hedging. This was required due to the extreme gilt market volatility in late September 2022 and early October 2022.

The Trustee has agreed to maintain the current position (ie underweight to equities, overweight to real assets and LDI) until the investment strategy is formally reviewed as part of the 31 December 2022 actuarial valuation.

There is no formal rebalancing policy. The Trustee monitors the asset allocation from time to time. If material deviations from the strategic asset allocation occur, the Trustee will consider with its advisers whether it is appropriate to rebalance the assets, taking into account factors such as market conditions and anticipated future cashflows.

The Trustee has put in place an investment / disinvestment process to cover excess contributions over and above monthly expenditure or excess expenditure over and above monthly contributions. Full details of this policy are contained in a separate document.

3.2. Hybrid Section (IMA)

The Hybrid Section is closed to both new members and new contributions and is in respect of historic benefits that some Plan members accrued when with a previous employer which was acquired by Eaton. The benefits provided from this Section are the members' individual member accounts (IMAs) which operate on a defined contribution basis subject to an underpin of the member's Guaranteed Minimum Pension and Reference Scheme Test pension earned as a result of being contracted-out of the State pension on a final salary basis.

The Hybrid section does not have, and is not required to have, a default investment arrangement. Each member is responsible for specifying one or more funds for the investment of their account having regard to their attitude to the risks involved. The Trustee offers a lifestyle investment option which has been designed to have risk and return characteristics similar to a lifestyle targeting flexible drawdown. This lifestyle was implemented on 19 April 2021 and replaced the lifestyle option targeting annuity purchase for those members who were more than one year from their target retirement age at this date. The drawdown targeted lifestyle option is designed to protect against some of the risks described in Appendix 2. The annuity purchase lifestyle is not available for members to select for investment, however a small number of members remain invested in this option (specifically those who were within one year of their target retirement age as at the introduction of the drawdown targeting lifestyle). In considering the investment options the Trustee has taken account of the fact that the benefits have been described to members as defined contribution benefits.

The Trustee will monitor the relevant members' behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.

The Trustee has considered the long-term performance characteristics of various asset classes, in terms of their expected returns and the variability of those returns, in deciding on the range of investment vehicles to make available to members. The range of available funds is set out in Section 7 of Appendix 3.

3.3. DC Section (Additional Voluntary Contributions ("AVCs") and Money Purchase Accounts ("MPAs"))

The Plan provides a facility for members to pay AVCs into the Plan to enhance their benefits at retirement. In addition, a number of individual MPAs were established under a predecessor scheme (Eaton UK Retirement Benefits Plan) and transferred to the Plan. The MPAs are closed to new contributions. The AVC and MPA sections do not have, and are not required to have, a default investment arrangement. Members are offered a range of standalone funds and a lifestyle investment option in which to invest their AVCs and historic MPAs. Further details are provided in Section 5 of Appendix 3.

While the Plan is a Qualifying Scheme, the DC arrangements in the IMA, MPA and AVC Sections of the Plan are not being used as a Qualifying Scheme for automatic enrolment purposes. The Trustee has taken legal advice and has been informed that Regulation 3 of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 does not apply to the DC arrangements.

4. Considerations in setting the investment arrangements

When deciding how to invest the Plan's assets, the Trustee considers a number of risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each risk.

The Trustee has 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. In 2022, whilst not undertaking a full strategy review, some long-term financial assumptions were made to assist in the consideration of some de-risking proposals for the DB Section. These included, as at 30 June 2022, that (unhedged) equity-type investments will, over the long term, outperform gilts by 4.5% pa. Some of the other key assumptions for expected returns above gilts were as follows:

- UK corporate bonds: 1.1% pa
- Cash: 0% pa
- Diversified growth funds: 2.8% pa
- Dynamic LDI: 0.7%

In setting the strategy for the Plan for the DB Section the Trustee took into account:

- the Plan's investment objectives, including the target return required to meet the Trustee's investment objectives;
- the Plan's cash flow requirements in order to meet benefit payments in the near to medium term;
- the best interests of members and beneficiaries;
- the circumstances of the Plan, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant;

- the risks, rewards and suitability of a number of possible asset classes and investment strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification between different asset classes to ensure that both the Plan's overall level of investment risk and the balance of individual asset risks are appropriate; and
- the Trustee's investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

In determining the investment arrangements for the DC and Hybrid Sections the Trustee considered:

- the best interests of all members and beneficiaries;
- the profile of the membership and what this is likely to mean for the choices members might make upon reaching retirement;
- the risks, rewards and suitability of a number of possible asset classes and lifestyle investment options and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification within the lifestyle investment options to ensure that, for each such option, both the overall level of investment risk and the balance of individual asset risks are appropriate;
- the need for appropriate diversification within the other investment options offered to members;
- any other considerations which the Trustee considers financially material over the periods until members' retirement, or any other timeframe which the Trustee believes to be appropriate; and
- the Trustee's investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

The Trustee also consider any other factors that it believes to be financially material over the applicable time horizons relevant to the funding of the DB and DC benefits, including environmental, social and governance ("ESG") factors and the risks and opportunities relating to climate change.

The Trustee's key investment beliefs and understanding of the DC and Hybrid Section's membership are reflected in the design of the lifestyle investment options, and in the range of other funds made available to members.

5. Implementation of the investment arrangements

Before investing in any manner, the Trustee obtains and considers 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.

Details of the investment managers are set out in Appendix 3.

In respect of the DC and Hybrid Sections, the Trustee has entered into contracts with two platform providers, who make available the ranges of investment options to members. There is no direct relationship between the Plan and the underlying investment managers of the DC and Hybrid Sections investment funds.

The Trustee has signed agreements with the platform providers setting out in detail the terms on which the portfolios are to be managed. The investment managers used have agreements with the Trustee's platform provider. The investment managers' primary role is the day-to-day investment management of the Plan's investments.

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

The Trustee has limited influence over the managers' investment practices because all the Plan's assets are held in pooled funds, but it encourages its managers to improve their practices within the parameters of the fund they are managing.

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 funds that they manage. 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. In general, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. 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 adviser to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan's investment mandates.

6. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Plan within the portfolios that they manage, and in considerations relating to the liquidity of investments.

For the DB Section, when appropriate, the Trustee, on the administrator's recommendation, decides on the amount of cash required for benefit payments and other outgoings and informs the investment managers of any liquidity requirements. The Trustee's preference is for investments that are readily realisable, but it recognises that achieving a well-diversified portfolio may mean holding some investments that are less liquid (eg long lease property). The Trustee's policy is outlined in a separate document.

For the DC and Hybrid Sections, the Trustee's policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

7. Environmental, social, governance and ethical considerations

The Trustee has considered how ESG considerations (including but not limited to climate change) and ethical factors should be taken into account in the selection, retention and realisation of investments since they recognise that these factors can be relevant to investment performance and believes that the market may not appropriately price these factors.

The Trustee influences the Plan's approach to ESG and other financially material factors through investment strategy and manager selection decision.

The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG factors). The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and from time to time reviews how its managers are taking account of these issues in practice. Over time, the Trustee may consider both active and passive managed funds which incorporate ESG factors, as well as specialist funds that treat ESG factors as a source of investment opportunities.

In April 2021, the Trustee appointed Legal & General Investment Management ("LGIM") to manage a low carbon equity mandate for the DB Section of the Plan, to better mitigate the DB Section's exposure to climate transition risks.

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.

The Trustee will consider long-term environmental, social and economic sustainability (including climate change) when making investment decisions, as it believes that investment actions have a real-world impact which collectively affect long-term performance, and that it is a socially responsible thing to do.

The Trustee does not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments. However, the line between financial and non-financial factors in not always clear and some non-financial factors that may not immediately present as financially material may have the potential to become so in the future. The Trustee keeps this under review as part of its overall consideration of ESG factors.

8. Voting and engagement

The Trustee recognises its responsibilities as owners 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 and is in the best interest of the Plan's members.

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 factors.

The Trustee does not monitor or engage directly with issuers or other holders of debt, equity or real assets. 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 will seek 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 will review how these are implemented in practice.

The Trustee monitors managers' activities in relation to ESG factors, voting and engagement on a regular basis. The Trustee seeks to understand how they are implementing their stewardship policies in practice to check that their stewardship is effective and aligned with its expectation.

The Trustee has selected some priority ESG themes to provide a focus for its monitoring of investment managers' voting and engagement activities. The Trustee's current priorities are climate change, human rights and business ethics.

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

The Trustee reviews the themes periodically and will update them if appropriate. The Trustee communicates these stewardship priorities to its managers and also confirms its more general expectations in relation to ESG factors, voting and engagement.

Approved by the Trustee of the Eaton UK Pension Plan on 24 April 2023

Investment governance, responsibilities, decision-making and fees

The Trustee has decided on the following division of responsibilities and decision-making for the Plan. This division is based upon the Trustee's understanding of the various legal requirements placed upon it, and its view that the division of responsibility allows for efficient operation and governance of the Plan overall with access to an appropriate level of expert advice. The Trustee's investment powers are set out within the Plan's governing documentation.

1. Trustee

In broad terms, the Trustee is responsible in respect of investment matters for:

- setting the investment strategy of the DB Section, in consultation with the employer and in conjunction with the actuarial funding strategy;
- developing a mutual understanding of investment and risk issues with the employer;
- formulating a policy in relation to financially material considerations, such as those relating to ESG considerations (including but not limited to climate change);
- setting the policy for rebalancing between asset classes and asset managers;
- setting a policy on the exercise of rights (including voting rights) and undertaking engagement activities in respect of the investments;
- appointing, monitoring, reviewing, engaging with and replacing investment managers, investment advisers, actuary and other service providers;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Pensions Act 1995;
- communicating with members as appropriate on investment matters, such as the Trustee's assessment of its effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged;
- reviewing the investment policy as part of any review of the investment strategy;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate;
- consulting with the employer when reviewing the SIP; and
- setting the strategies for the lifestyle investment options and reviewing the investment options for AVCs, MPAs and the IMA Sections.

2. Platform providers

The investment platform providers will be responsible for:

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

3. Investment managers

In broad terms, the investment managers will be responsible for:

- managing their respective portfolio of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets;
- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments;
- providing the Trustee and investment platform providers with regular information concerning the management and performance of their respective portfolios; including information on voting and engagement undertaken, and
- having regard to the provisions of Section 36 of the Pensions Act 1995 insofar as it is necessary to do so.

The custodians of the portfolios (whether there is a direct relationship between the custodian and the Trustee or not) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

4. Actuary and Investment adviser

In broad terms, the actuary and investment adviser will be responsible, in respect of investment matters, as requested by the Trustee:

- for the DB Section, advising on how material changes within the Plan’s benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- for the DB Section, advising on and monitoring liability hedging and collateral management;
- for the DC and Hybrid Sections, advising on a suitable fund range and lifestyle investment options for the Plan, and how material changes to legislation or within the DC and Hybrid Section’s benefits and membership may impact this;
- advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers’ approaches to financially material considerations (including climate change and other ESG considerations); and
- participating with the Trustee in reviews of this SIP.

5. Fee structures

The Trustee recognises that the provision of investment management and advisory services to the Plan results in a range of charges to be met, directly or indirectly, by deduction from the Plan’s assets.

The Trustee has agreed Terms of Business with the Plan’s actuarial and investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a “time-cost” basis.

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

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

6. Performance assessment

The Trustee is satisfied, taking into account the external expertise available, that there are sufficient resources to support their investment responsibilities. The Trustee believes that it has sufficient expertise and appropriate training to carry out its role effectively.

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

7. Working with the Plan's employer

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

Policy towards risk

1. Risk appetite and risk capacity

Risk appetite is a measure of how much risk the Trustee is willing to bear within the Plan in order to meet its investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action. Risk capacity is a measure of the extent to which the Trustee can tolerate deviation from its long-term objectives before attainment of those objectives is seriously impaired. The Trustee aims to strike the right balance between risk appetite and risk capacity.

When assessing the risk appetite and risk capacity, the Trustee considers a range of qualitative and quantitative factors, including:

- the strength of the employer's covenant and how this may change in the near/medium future;
- the agreed employer contributions;
- the Plan's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged;
- the Plan's cash flow and target return requirements; and
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

2. Approach to managing and monitoring investment risks

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

2.1. Strategic risk

This is the risk that the performance of the Plan's assets and liabilities diverges in certain financial and economic conditions. This risk is taken into account when the Trustee reviews and monitors investment strategy.

The Trustee will review the Plan's investment strategy at least every three years in light of the various risks faced by the Plan.

2.2. Risk of inadequate long-term returns

For the DB Section, a key objective of the Trustee is that, over the long-term, the Plan should generate its target return so that it has adequate assets to meet its liabilities as they fall due. The Trustee therefore invests the assets of the Plan to produce a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Plan's assets and liabilities diverge in certain financial and economic conditions in the short term. This risk has been taken into account in setting the investment strategy and is monitored by the Trustee on a regular basis.

For the DC Sections, as members' benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity and diversified growth funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature throughout the lifestyle investment options. To reduce the chance of a sharp deterioration in members' benefits close to retirement, the Trustee has provided members with the option of investing in lifestyle investment options.

2.3. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Trustee's ability to meet their investment objectives. The Trustee believes that the DB Section's assets are adequately diversified between different asset classes and within each asset class. In addition, the Trustee has a written policy on self-investment which stipulates that no direct investment is permitted in securities issued by the employer, nor any of its subsidiary companies.

The IMA, AVC and MPA investment options provide a suitably diversified range for members to choose from. Within each fund available to members, the holdings should be adequately diversified. To achieve this, the Trustee has selected investment vehicles which, subject to their objectives, will be suitably diversified.

2.4. Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustee usually undertakes investment manager selection exercises and receives written advice from a suitably qualified individual. The Trustee monitors the investment managers on a regular basis to ensure they remain appropriate for their selected mandates.

2.5. Counterparty risk

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

In particular, CTI makes use within its Nominal and Real Dynamic LDI funds fund of derivative and gilt repos contracts and these funds are used by the Trustee to match efficiently a portion of the Plan's liabilities. Counterparty risk is managed within the fund through careful initial selection and ongoing monitoring of trading counterparties, counterparty diversification and a robust process of daily collateralisation of each contract, to ensure that counterparty risk is limited, as far as possible, to one day's market movements.

2.6. Liquidity/marketability risk

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

The Trustee's policy for the IMA, AVC and MPA sections is to make available to members funds which, in normal conditions, should prove easy to buy and sell.

2.7. Environmental, social and governance risks

ESG factors are sources of risk to the Plan's investments, some of which could be financially significant, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately on their behalf and from time to time reviews how these risks are being managed in practice.

2.8. Climate related risks

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

2.9. Collateral adequacy risk

The Plan is invested in leveraged Liability Driven Investment ("LDI") arrangements to provide protection ("hedging") against adverse changes in interest rates and inflation expectations. The LDI manager may from time to time call for additional cash to be paid to the LDI portfolio in order to support a given level of leverage. Collateral adequacy risk is the risk that the Trustee, when requested to do so, will not be able to post additional cash to the LDI fund within the required timeframe. A potential consequence of this risk is that the Plan's interest rate and inflation hedging could be reduced and that the Plan's funding level could suffer subsequently as a result. In order to manage this risk, the Trustee ensures that the Plan has a sufficient allocation to cash and other highly liquid assets which can be readily realised, so that cash can be posted to the LDI manager at short notice.

2.10. Risk from excessive charges

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

2.11. Credit risk

The Plan is subject to credit risk because it invests in bonds and related assets via pooled funds. The Trustee manages its exposure to credit risk by only investing in pooled funds that have a diversified exposure to different credit issuers.

2.12. Equity risk

Equity represents (part) ownership of a company. Equity risk is the risk that the value of this holding falls in value.

The Trustee believes that equity risk is a rewarded investment risk, over the long term.

The Trustee considers exposure to equity risk in the context of the Plan's overall investment strategy and believes that the level of exposure to this risk is appropriate.

2.13. Currency risk

Whilst the majority of the currency exposure of the Plan's assets is to Sterling, the Plan is subject to currency risk because some of the Plan's investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy and believes that the currency exposure that exists diversifies the strategy and is appropriate. Furthermore, the Trustee manages the amount of currency risk by investing in pooled funds that hedge currency exposure or implement separate currency hedging arrangements.

The Trustee currently hedges around 50% of the DB Section's equity exposure to foreign currency back to Sterling.

2.14. Interest rate and inflation risk

The Plan's assets are subject to interest rate and inflation risk because some of the Plan's assets are held in bonds via pooled funds. However, the interest rate and inflation exposures of the Plan's assets hedge part of the corresponding risks associated with the Plan's liabilities.

The Trustee considers interest rate and inflation risks to be generally unrewarded investment risks.

As a result, the Trustee currently aims to hedge around 90% of the DB Section's exposure to interest rate and inflation risk, by investing in leveraged LDI arrangements managed by CTI. However, the degree of hedging will be reviewed over time and may be changed. It will also fluctuate with changes in the Plan's liabilities and market movements.

The net effect of the Trustee's approach to interest and inflation risk will be to reduce the volatility of the funding level, and so the Trustee believes that it is appropriate to manage exposures to these risks in this manner and to review them on a regular basis.

2.15. Risk of deterioration in investment conditions near retirement

Within the DC and Hybrid Sections, for a given amount of money the level of pension secured will depend upon investment conditions at retirement. A sharp deterioration in these conditions in the period just prior to retirement will have a substantial impact on the benefits provided. To protect against this, the Trustee has made available a lifestyle investment options for members.

2.16. Valuation risk

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

At times of market stress, there is a risk for all assets that the valuations provided by investment managers do not reflect the actual sale proceeds which could be achieved if the assets were liquidated at short notice.

The Trustee considers exposure to valuation risk in the context of the Plan's overall investment strategy and believe that the level of exposure to this risk is appropriate.

2.17. Other non-investment risks

The Trustee recognises that there are other, non-investment, risks faced by the Plan, and takes these into consideration as far as practical in setting the Plan's investment arrangements as part of their assessment of the other aspects of the Plan's Integrated Risk Management framework.

Examples include:

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

Both, investment and non-investment risks can lead to the funding position materially worsening. The Trustee regularly reviews progress towards the DB Section's funding target.

By understanding, considering and monitoring the key risks that contribute to funding risk, the Trustee believes that they have appropriately addressed and are positioned to manage this general risk.

Investment manager arrangements

Details of the investment managers, their objectives, and investment guidelines are set out below.

The DB Section

1. Legal and General Investment Management

The Trustee has selected Legal and General Investment Management ("LGIM") as the investment manager for its developed market equity and long lease property assets. LGIM's benchmark for the developed market equity portfolio is as follows:

Asset class	Benchmark allocation (%)	Benchmark index
Low Carbon UK equities	25%	Solactive L&G Low Carbon Transition UK Index
Low carbon overseas developed equities (50% of developed market exposure hedged back to pounds Sterling)	75%	12.5% Solactive L&G Low Carbon Transition North America Index 12.5% Solactive L&G Low Carbon Transition North America Index (GBP Hedged) 12.5% Solactive L&G Low Carbon Transition Europe ex UK Index 12.5% Solactive L&G Low Carbon Transition Europe ex UK Index (GBP Hedged) 8.1% Solactive L&G Low Carbon Transition Japan Index 8.1% Solactive L&G Low Carbon Transition Japan Index (GBP Hedged) 4.4% Solactive L&G Low Carbon Transition APAC ex Japan Index 4.4% Solactive L&G Low Carbon Transition APAC ex Japan Index (GBP Hedged)

The objectives of the low carbon equity funds are to produce returns consistent with their respective index.

The UK index aims to reduce carbon intensity by 60% at the outset on a de-carbonisation path to achieve net zero by 2050, whilst also significantly reducing the level of carbon reserves and improving green revenues. The other indices aim to reduce carbon intensity by 70% at the outset on a de-carbonisation path to achieve net zero by 2050, whilst also significantly reducing the level of carbon reserves and improving green revenues.

The target reduction in carbon intensity is relative to a corresponding regional market capitalisation weighted index.

Additionally, the funds will not invest in:

- Controversial weapons – companies that are involved and or/derive revenues from controversial weapons, specifically on-going involvement in Chemical weapons, Biological weapons, Nuclear weapons, Depleted Uranium, Nuclear weapons outside The Treaty on the Non-Proliferation of Nuclear Weapons, Cluster munitions, or Anti-personnel mines.

- Thermal coal miners – companies that derive 30% of their revenues from thermal coal mining.

LGIM may also disinvest from companies that are held in the index that do not meet LGIM's minimum standards on areas such as climate, governance, reputation and public policy.

Rebalancing

In normal conditions, LGIM will review the asset allocation position for the Equity Portfolio monthly and when this is outside the control ranges will rebalance back to that benchmark. From time to time, the Trustee may decide to suspend this rebalancing. The control ranges are +/-1.5% for each of the regional allocations shown in the table below.

Name of fund	Benchmark allocation (%)	Range (%)
Low Carbon Transition UK Equity Index Fund	25.00	+/-1.50
Low Carbon Transition North America Equity Index Fund	12.50	+/-1.50
Low Carbon Transition Europe (ex UK) Equity Index Fund	12.50	+/-1.50
Low Carbon Transition Japan Equity Index Fund	8.10	+/-1.50
Low Carbon Transition Asia Pacific (ex Japan) Equity Index Fund	4.40	+/-1.50
Low Carbon Transition North America Equity Index Fund (GBP Hedged)	12.50	+/-1.50
Low Carbon Transition Europe (ex UK) Equity Index Fund (GBP Hedged)	12.50	+/-1.50
Low Carbon Transition Japan Equity Index Fund (GBP Hedged)	8.10	+/-1.50
Low Carbon Transition Asia Pacific (ex Japan) Equity Index Fund (GBP Hedged)	4.40	+/-1.50
Total	**100.00**	

The Trustee invested £37m (~5% of the Plan's assets at 30 September 2017) in the L&G LPI Property Fund. The objective of the fund is to provide an income stream that rises annually in line with LPI (i.e. RPI between 0% and 5%). The fund aims to achieve this objective predominantly through investment in freehold and leasehold property in the UK with a view to securing long let, secure income streams.

1. BlackRock (UK) Advisors Limited

The Trustee has selected BlackRock (UK) Advisors Limited ("BlackRock") as the investment manager for its emerging market equity, corporate bond and diversified growth assets.

BlackRock's benchmark for the passively managed Emerging Markets Equity Portfolio is as follows:

Asset class	Benchmark allocation (%)	Benchmark index
Emerging markets equities	100.0	S&P IFCI Emerging Markets Composite ex Malaysia Index

BlackRock's benchmark for the Bond Portfolio is as follows:

Asset class	Benchmark allocation (%)	Benchmark index
Corporate bonds	N/A	iBoxx £ Non-Gilts Over 15 Years Index
Buy and maintain credit	N/A	N/A

BlackRock's benchmark for the Diversified Growth Portfolio is as follows:

Asset class	Benchmark allocation (%)	Benchmark index
Diversified growth	100.0	3 month SONIA compounded in arrears[1]

For the corporate bond fund, BlackRock's objective is to outperform the benchmark by 1% pa, over a rolling three year period.

For the buy and maintain fund, BlackRock's objective is to produce income for investors by primarily investing in a diversified portfolio of high-quality non-government bonds.

For the diversified growth fund, BlackRock's objective is to outperform the benchmark by 3% pa, over a rolling three year period (net of fees).

For the emerging markets equity fund, BlackRock's objective is to invest the portfolio in line with the stated benchmark and to achieve, before fees, the return of the index with an annualised standard deviation of monthly returns of over rolling three year periods of 2% pa.

The index return will be calculated allowing for the reinvestment of net investment income.

[1] Benchmark adjusted from LIBOR to SONIA following the cessation of LIBOR. New benchmark effective from 1 December 2021.

2. Columbia Threadneedle Investments

The Trustee has selected Columbia Threadneedle Investments ("CTI") as the Plan's liability-driven investment ("LDI") manager. The Plan has holdings in the

- CTI Real Dynamic LDI Fund (the "Real Dynamic Fund");
- CTI Nominal Dynamic LDI Fund (the "Nominal Dynamic Fund");
- CTI Sterling Liquidity Fund (the "Sterling Liquidity Fund"); and
- CTI Global Absolute Return Bond Fund (the "ARB Fund").

The allocation between the LDI funds varies over time as they are designed to provide the desired amount of hedging of interest rate and inflation risks. The SLF and ARB Fund provide additional liquidity to cover any collateral calls from the LDI funds.

The benchmark indices of the CTI funds are as follows:

Fund	Benchmark index
Real and Nominal Dynamic LDI Funds	Real Dynamic LDI Fund: A typical pension fund's real liability profile. Nominal Dynamic LDI Fund: A typical pension fund's nominal liability profile.
Sterling Liquidity Fund	SONIA[2]
Absolute Return Bond Fund	SONIA[2]

3. J.P. Morgan Asset Management

The Trustee has selected J.P. Morgan Asset Management ("JPM") as one of the Plan's infrastructure managers. The Trustee invested £37m (~5% of the Plan's assets at 30 October 2018) in the Infrastructure Investment Fund ("IIF"). IIF's target total return to investors is 8-12% pa after management fees and expenses. The fund aims to achieve this objective predominantly through investment in global unlisted infrastructure equity.

4. IFM Investors

The Trustee has selected IFM Investors ("IFM") as one of the Plan's infrastructure managers. The Trustee invested £37m (~5% of the Plan's assets at 30 October 2018) in the Global Infrastructure Fund ("GIF"). The absolute return target for GIF is 10% p.a. net of all fees, ranging from 8-12% depending on the stage of the market cycle. The fund aims to achieve this objective predominantly through investment in global unlisted infrastructure equity.

5. DC Section (AVC and MPA)

The Trustee has selected Standard Life ("SL") as the Plan's main AVC provider. There are a range of ten passively and actively managed funds available for members to select, including a lifestyle investment option. The relevant members are provided with clear information on the investment options and their characteristics that will allow the members to make an informed choice. The lifestyle

[2] Benchmark adjusted from LIBOR/LIBID to SONIA following the cessation of LIBOR. New benchmarks effective from 1 December 2021.

investment option has a five year switching period from growth assets into cash. The Trustee reviewed the lifestyle investment option in February 2020, and on 28 September 2021 implemented a change whereby the allocation in the growth phase to the SL Global Absolute Return Strategies Fund was replaced with the BlackRock Aquila Life Market Advantage (ALMA) Fund.

The range of available Standard Life AVC options is as follows:

- Lifestyle investment option (detailed in Section 7);
- Standard Life Deposit and Treasury Pension Fund;
- Standard Life Annuity Targeting Pension Fund;
- Standard Life Index-linked Bond Pension Fund;
- Standard Life Corporate Bond Pension Fund;
- Standard Life Global Equity 50:50 Tracker Pension Fund;
- SL Vanguard FTSE UK All Share Index Pension Fund;
- SL BlackRock ACS World (ex UK) Equity Tracker Index Fund;
- SL Global Absolute Return Strategies Fund; and
- BlackRock Aquila Life Market Advantage (ALMA) Fund.

Some members hold historic AVCs within the Standard Life Managed Pension Fund and With Profits funds. These options are now closed to all contributions.

Members with MPAs can invest in the same range of Standard Life funds that are available as AVC options as set out above.

6. The Hybrid (IMA) Section

The Trustee has selected BlackRock to manage the funds that are available to members. The range of passively and actively managed funds and benchmarks for each fund are as follows:

Fund	Benchmark	Performance objective
BlackRock Aquila Life Global Equities (60:40) Index Fund[3]	60.0% FTSE All Share Index, 13.3% FTSE USA Index 13.3% FTSE All World Developed Europe ex-UK Index 6.7% FTSE All World Developed Asia Pacific ex-Japan Index 6.7% FTSE Japan Index	To achieve a tracking error[4] of within 0.4% pa relative to the benchmark.

[3] These funds are only available for members to invest in as part of the annuity lifestyle investment option. Only those members who were invested in this lifestyle, and within one year of their target retirement date at the date of the transition in April 2021, can remain invested in this lifestyle.

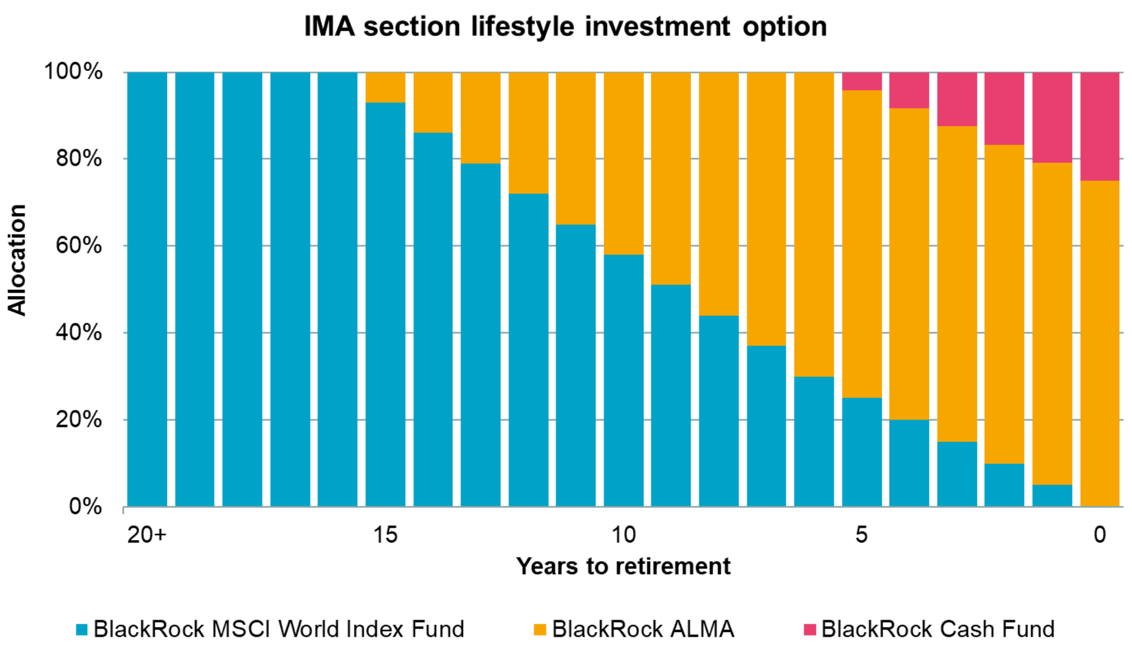
[4] The tracking error is defined as the annualised standard deviation of monthly returns against the benchmark, measured over three year periods.

BlackRock MSCI World Index Fund	MSCI World Net Total Return GBP	To achieve a return in line with the benchmark
BlackRock UK Equity Index Fund	FTSE All Share Index	To provide a return which closely tracks the benchmark.
Blackrock Aquila Life Market Advantage ("ALMA") Fund	3 month SONIA compounded in arrears[5]	To outperform the benchmark by 3.5% pa (gross of fees) over the long term (5 consecutive years).
BlackRock Aquila Life All Stocks UK Gilt Index Fund	FTSE Actuaries UK Conventional Gilts All Stocks Index	To achieve a tracking error of within 0.2% pa relative to the benchmark.
BlackRock Aquila Life Over 15 Years UK Gilt Index Fund[3]	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	To achieve a tracking error of within 0.2% pa relative to the benchmark.
BlackRock Aquila Life All Stocks UK Index Linked Gilt Index Fund[3]	FTSE Actuaries UK Index-Linked Gilts All Stocks Index	To achieve a tracking error of within 0.2% pa relative to the benchmark.
BlackRock iShares Corporate Bond All Stocks Index Fund	iBoxx Sterling Non-Gilt All Stocks Index	To achieve a tracking error of within 0.3% pa relative to the benchmark.
BlackRock Cash Fund	7 day SONIA[5]	To match the benchmark before fees.

The relevant members are provided with clear information on the investment options and their characteristics that will allow the members to make an informed choice.

The IMA Section also has a lifestyle investment option which has been designed to have risk and return characteristics similar to a lifestyle targeting flexible drawdown which is summarised in the following table and chart:

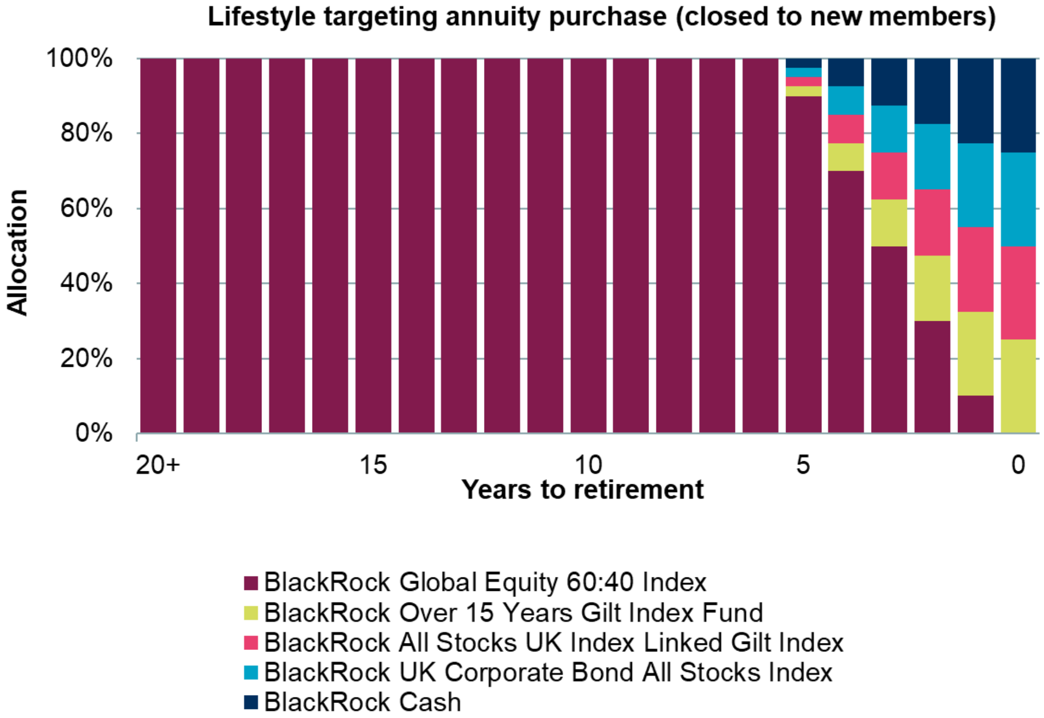
[5] Benchmark adjusted from LIBOR/LIBID to SONIA following the cessation of LIBOR. New benchmark effective from 1 October 2021 for BlackRock Cash Fund and 26 November 2021 for BlackRock ALMA.


IMA section lifestyle investment option
100%
80%
60%
40%
20%
0%
Allocation
20+
15
10
5
0
Years to retirement
BlackRock MSCI World Index Fund
BlackRock ALMA
BlackRock Cash Fund

The Trustee reviewed the lifestyle investment option on 20 February 2020 and the changes to this lifestyle were implemented on 19 April 2021.

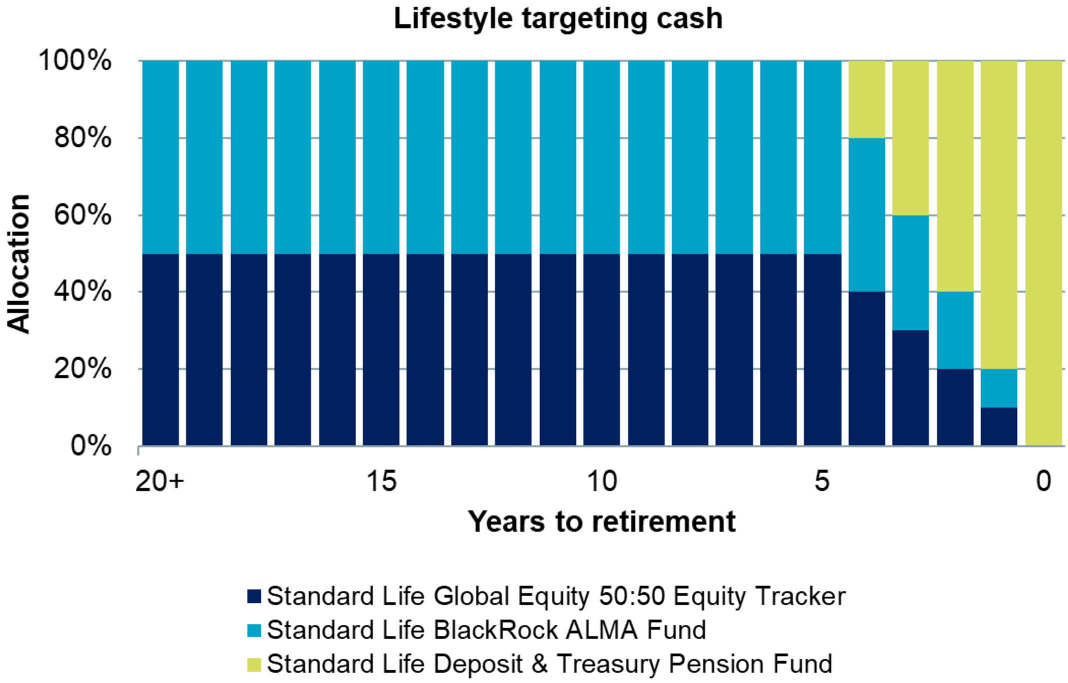
Term to retirement (years)	BlackRock MSCI World Index Fund (%)	BlackRock ALMA (%)	BlackRock Cash Fund (%)
16+	100.0	0.0	0.0
15	93.0	7.0	0.0
14	86.0	14.0	0.0
13	79.0	21.0	0.0
12	72.0	28.0	0.0
11	65.0	35.0	0.0
10	58.0	42.0	0.0
9	51.0	49.0	0.0
8	44.0	56.0	0.0
7	37.0	63.0	0.0
6	30.0	70.0	0.0
5	25.0	70.8	4.2
4	20.0	71.7	8.3
3	15.0	72.5	12.5
2	10.0	73.3	16.7
1	5.0	74.2	20.8
0	0.0	75.0	25.0

The lifestyle, targeting annuity purchase, that was available prior to 19 April 2021 remains open as an option for members who were within 1 year to retirement at the time of the transition who did not elect to move to the new lifestyle, however this lifestyle is now closed to all other members. Details of the closed lifestyle investment option targeting annuity purchase at retirement is summarised in the table and chart on the following page.



Term to retirement (years)	BlackRock Global Equity 60:40 Index Fund (%)	BlackRock Over 15 years Gilt Index Fund (%)	BlackRock Index-linked Gilt Index Fund (%)	BlackRock UK Corporate Bond Index Fund (%)	BlackRock Cash Fund (%)
More than 5	100.0	0.0	0.0	0.0	0.0
5	90.0	2.5	2.5	2.5	2.5
4.5	80.0	5.0	5.0	5.0	5.0
4	70.0	7.5	7.5	7.5	7.5
3.5	60.0	10.0	10.0	10.0	10.0
3	50.0	12.5	12.5	12.5	12.5
2.5	40.0	15.0	15.0	15.0	15.0
2	30.0	17.5	17.5	17.5	17.5
1.5	20.0	20.0	20.0	20.0	20.0
1	10.0	22.5	22.5	22.5	22.5
0.5	0.0	25.0	25.0	25.0	25.0

The DC Section (MPA and AVC) also has a lifestyle investment option which has been designed to be appropriate for a member taking their pension savings as cash at retirement (subject to applicable tax deductions). This is summarised in the following table and chart:



Term to retirement (years)	Standard Life Global Equity 50:50 Equity Tracker Pension Fund (%)	Standard Life BlackRock ALMA Fund (%)	Standard Life Deposit & Treasury Pension Fund (%)
5+	50	50	0
4	40	40	20
3	30	30	40
2	20	20	60
1	10	10	80
0	0	0	100

The Trustee reviewed this lifestyle investment option on 20 February 2020 and agreed to make changes which were implemented on 28 September 2021.