Statement of Investment Principles

Russell Investments Pension Plan (the "Plan")

May 2023

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of the Trustees of the Russell Investments Pension Plan ("the Trustees") on various matters governing decisions about the investments of the Russell Investments Pension Plan ("the Plan"), a Defined Contribution ("DC") Scheme. This SIP replaces the previous SIP dated 16 July 2020.

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 (as amended).

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Plan's investment adviser, whom the Trustees believe to be suitably qualified and experienced to provide such advice. The advice considers the suitability of the default strategy including the need for diversification given the circumstances of the Plan and the principles contained in this SIP. Further advice on the suitability of the investment managers in the default and self-select range is obtained separately from the Plan's investment manager adviser. The Trustees have consulted with the relevant employer in producing this SIP.

The Trustees will review this SIP from time to time and, with the help of their advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy or in the demographic profile of the relevant members 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 Trustees, 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 Trustees' policy towards risk appetite, capacity, measurement and management.

2. Investment objectives

The Trustees' primary objective is to provide members with access to:

- an appropriate range of investment options, reflecting the membership profile and the variety of ways that members can draw their benefits in retirement; and
- a default investment option that the Trustees believe to be reasonable for those members that chose to delegate their investment decisions to the Trustees (the "Default"). The objective of the Default is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement.

In addition to the Default , other default arrangements (the Additional Default Funds) exist which were created when members' funds were compulsorily mapped into a target fund chosen by the Trustees (i.e. moved without member consent) when one of their existing investment fund options closed.

The Trustees believe these funds to be appropriate default funds for those members that were switched into these funds automatically, but the funds will not be offered as default funds to the rest of the Plan's membership. The objectives of Additional Default Funds are shown in the table below.

Fund	Objective
L&G All Stocks Index Linked Gilts	To track the FTSE A UK Index-Linked Gilts All Stocks Index
L&G Over 5 Years Index Linked Gilt	To track the FTSE A Index-Linked (Over 5 Year) Index.
Russell Global High Yield (Euro)	Outperform the ICE BofA Developed Markets HY Constrained Index (EUR) Index by 0.75% over the medium to long term.
Russell (MAGS) Multi Asset Growth Strategy	To generate returns equivalent to Cash plus 4.5% pa over the long term.
Russell Sterling Liquidity	The Fund's performance will be measured again the ICE BofA Sterling 3-Month Government Bill Index.
Russell UK Equity	Outperform the FTSE All Shares Index (GBP) - Total Returns by 1.5% over the medium to long term.
Russell World Equity I (Sterling)	Outperform the MSCI World Index (USD) - Net Returns by 2% over the medium to long term.

3. Investment strategy

For the Plan, the Trustees have made available a range of investment funds for members. 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. If a member chooses to delegate their investment decisions to the Trustees, their account will be invested into the Default option, which is managed as a "lifestyle" strategy (i.e. it automatically combines investments in proportions that vary according to the time to retirement age).

The Default option is designed to be in the best interests of the majority of the members based on the demographics of the Plan's membership. The Default targets income drawdown at retirement, since the Trustees believe that most members will wish to take their benefits in this form. Therefore, the initial growth phase of the Default is invested to target a return significantly above inflation, and then in the 20 years before retirement, it switches members gradually into less risky assets, with the asset allocation at retirement being designed to be appropriate for members that wish to access their benefits through income drawdown.

In order to target higher investment returns and increase members' projected pot sizes in the Default, members have a high allocation to global equities up until they are 20 years from their expected retirement age.

To help reduce the volatility that members' assets experience in the Default strategy, the Trustees have included an allocation to a "diversified growth" fund, which over the long term is expected to generate returns materially above inflation, but with lower volatility than equities. The allocation to the diversified growth fund increases between 20 and 10 years to retirement to reduce volatility as members approach retirement. From 10 years to retirement, a bond fund is introduced and then a cash fund is introduced from 5 years to retirement to further decrease volatility. The Trustees will monitor the relevant members' behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.

The Additional Default Funds were chosen to be in the best interests of the members that were previously invested in a fund that was closed and removed as an investment option. The members' assets were defaulted to one of the Additional Default Funds. The Additional Default Funds were chosen, where possible, to provide a close match to the type of investment of the closed fund in order to keep the level of risk similar or the same. Where a close match to the type of investment of the closed fund did not exist, the Additional Default Funds were chosen so as not to increase the level of risk.

4. Considerations in setting the investment arrangements

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

The Trustees 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 determining the investment arrangements, the Trustees 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 a lifestyle strategy 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 default strategies 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 Trustees consider financially material over the periods until members' retirement, or any other timeframe which the Trustees believe to be appropriate; and
- the Trustees' investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

The Trustees' key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

4.1. Default strategy

- The Default should aim to provide sufficient returns for members' income needs in retirement.
- The Default should be simple and easy to communicate although the underlying assets held may be more complex.
- The Trustees' preference is to use funds managed by Russell Investments in the Default strategy.
- A single lifestyle strategy is preferred to offering multiple options.
- Diversified growth funds are the best way to access diversification across asset classes in the Default.

4.2. Self-select range

- The self-select range should offer a core range of options which cover the main asset classes.
- The self-select range should allow members to invest in Russell Investments' funds.
- Passive funds should be offered as an alternative to Russell Investments' Funds where feasible.

4.3. General

- Asset allocation is the primary driver of long-term returns.
- Risk-taking is necessary to achieve return, but not all risks are rewarded.
- Equity, credit and illiquidity are the primary rewarded risks.
- Risks that do not have an expected reward should generally be avoided, hedged or diversified.
- Investment markets are not always efficient and there may be opportunities for good active managers to add value.
- Environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors.
- Long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions.
- Costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

The Trustees' key investment beliefs and understanding of the Plan's membership are reflected in the design of the Default and in the range of other funds made available to members.

5. Implementation of the investment arrangements

Before investing in any manner, the Trustees obtain and consider proper written advice from their 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 the Investment Policy Implementation Document.

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

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

The Trustees have limited influence over managers' investment practices because all of the Plan's assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate.

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

It is the Trustees' responsibility to ensure that the managers' investment approaches are consistent with their 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 Trustees expect 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. They assess this when selecting and monitoring managers.

The Trustees evaluate investment manager performance by considering performance over both shorter and longer-term periods as available. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustees' policy is to evaluate each of their 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.

6. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the fund they manage and in considerations relating to the liquidity of investments. For the Plan, the Trustees' policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

7. Financially material considerations and non-financial matters

The Trustees have considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Plan and its members.

The Trustees expect their investment managers to take account of financially material considerations (including climate change and other ESG considerations) as the managers consider appropriate. The Trustees seek 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.

Due to the pooled fund nature of the Plan's investments, the Trustees accept that they are unable directly to influence the social, environmental and ethical policies and practices of the companies in which they invest but they encourage their managers to improve their practices where appropriate.

Should the Trustees gauge there to be interest from members for a responsible investment fund option, they will consider introducing such a fund at the appropriate time. The Trustees are mindful of the investment risks and opportunities arising from climate change and the wider spectrum of ESG factors. The Trustees maintain a dialogue with the investment management providers with the aim of ensuring that all these factors are considered in the management of their investments, to the extent possible within pooled investment funds. The Trustees also include ESG factors as criteria in the selection and retention of their investment management providers.

Climate change is a key risk which can impact investment returns in different ways including the risk of rising physical losses from extreme weather in the short term, the risk of medium-term impacts from the implementation of climate change policy, and risk of the longer-term impacts if global temperature rises. The Trustees believes that climate change risk is a key investment consideration because it affects the ability of investors to generate future investment returns. As the tools to analyse climate risk develop, the Trustees will seek to establish whether further steps are appropriate to mitigate this risk, for example, by reviewing the fund range.

The Trustees do not take into account any non-financial matters (i.e. 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.

8. Voting and engagement

The Trustees recognise their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustees have delegated to their 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, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustees aim to appoint investment managers that have strong responsible investment skills and processes and have a preference for managers and funds with net zero targets and credible plans to meet them. They therefore favour investment managers who are signatories to the Principles for Responsible Investment, the UK Stewardship Code as well as the Net Zero Asset Managers Initiative and from time to time the Trustees review how these are implemented in practice.

When selecting new managers, the Trustees consider their investment adviser's assessment of potential managers' capabilities in this area. The Trustees also regularly review all appointed managers' capabilities on an ongoing basis. If the Trustees meet prospective managers, they usually ask questions about responsible investment, focusing on the Trustees' stewardship priorities.

8.1. Stewardship priorities

The Trustees have selected some priority themes to provide a focus for their monitoring of investment managers' voting and engagement activities. They will review them regularly and update them if appropriate. The Trustees current priorities are climate change, human rights and diversity, equity and inclusion.

They chose these priorities because they are market-wide areas of risk that are financially material for the investments and can be addressed by good stewardship. Therefore, the Trustees believe it is in their members' best interests that their managers adopt strong practices in these areas.

The Trustees will write to their investment managers regularly to notify them of their stewardship priorities, set out viewpoints and issues of interest and remind them of the Trustees expectations of them in relation to responsible investment.

Approved at a meeting held on 23 March 2023 by the Trustees of the Russell Investments Pension Plan subject to consultation with Russell Investments Systems Limited which was completed in May 2023

Investment governance, responsibilities, decision-making and fees

The Trustees have decided on the following division of responsibilities and decision-making for the Plan. This division is based upon the Trustees' understanding of the various legal requirements placed upon them, and their view that the division of responsibility allows for efficient operation and governance of the Plan overall. The Trustees' investment powers are set out within the Plan's governing documentation.

1. Trustees

In broad terms, the Trustees are responsible in respect of investment matters for:

- developing a mutual understanding of investment and risk issues with the employer;
- setting the investment strategy, in consultation 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);
- formulating a policy on taking account of non-financial matters in the selection, retention and realisation of investments;
- setting the policy for rebalancing between asset classes;
- setting a policy on the exercise of rights (including voting rights) and undertaking engagement activities in respect of the investments;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- appointing, monitoring, reviewing and dismissing investment managers, investment advisers, 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 Act;
- communicating with members as appropriate on investment matters, such as the Trustees' 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;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the employer when reviewing the SIP.

2. Investment managers

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

- managing the portfolios 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 regular information concerning the management and performance of their respective portfolios; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

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

3. Investment advisor

In broad terms, the investment adviser will be responsible, in respect of investment matters, as requested by the Trustees, for:

- advising on a suitable default strategy for the Plan, and how material changes to legislation or within the Plan's benefits and membership may impact this; and
- participating with the Trustees in reviews of this SIP.

4. Investment manager advisor

In broad terms, the investment manager adviser will be responsible, in respect of investment matters, as requested by the Trustees, for:

- 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.

5. Fee structures

The Trustees recognise 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 Trustees have agreed Terms of Business with the Plan's investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

Annual management charge fees with respect to the Russell Investments' Funds only are rebated to members on a regular basis. The fees charged for Legal & General funds, and the additional expenses of the Russell Investments' Funds, are paid by the members of the Plan. The fees are expressed as a percentage of assets under management and are believed to be consistent with the manager's general terms for institutional clients and are considered by the Trustees to be reasonable when compared with those of other similar providers. See also Section 5 of the SIP.

Other service providers to the Plan include an administrator, a benefits consultant and a legal advisor. The Trustees consider that the fees paid to each of these organisations are competitive also.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustees' view as to the most appropriate arrangements for the Plan. However, the Trustees will consider revising any given structure if and when it is considered appropriate to do so.

6. Performance assessment

The Trustees are satisfied, considering the external expertise available, that there are sufficient resources to support their investment responsibilities. The Trustees believe that they have sufficient expertise and appropriate training to carry out their role effectively.

It is the Trustees' policy to assess the performance of the Plan's investments, investment providers and professional advisers from time to time. See Section 5 of the SIP. The Trustees will also periodically assess the effectiveness of their 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 Trustees seek to give due consideration to the employer's perspective. While the requirement to consult does not mean that the Trustees need to reach agreement with the employer, the Trustees believe that better outcomes will generally be achieved if the Trustees and employer work together collaboratively.

Appendix 2

Policy towards risk

1. Approach to managing and monitoring investment risks

The Trustees consider that there are several different types of investment risk that are important to manage and monitor. These include, but are not limited to:

1.1. Risk of inadequate returns

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 equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the Default strategy. To reduce the chance of a sharp deterioration in members' benefits close to retirement, the Trustees have made the Default option a "lifestyle" strategy.

1.2. Credit risk

This is the risk that a borrower will cause a financial loss for the other party by failing to meet required payments for a contractual obligation.

The Plan is subject to credit risk because it invests in bonds via pooled funds. The Trustees manage its exposure to credit risk by only investing in pooled funds that have a diversified exposure to different credit issuers, and only invests in bonds that are classified as "investment grade".

1.3. Equity risk

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

The Trustees believe that equity risk is a rewarded investment risk, over the long term.

The Trustees consider exposure to equity risk in the context of the Plan's overall investment strategy and believe that the level of exposure to this risk is appropriate.

1.4. 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 Trustees consider the overseas currency exposure in the context of the overall investment strategy and believe that the currency exposure that exists diversifies the strategy and is appropriate.

1.5. Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Plan's investments which could be financially material, 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 Trustees seek to appoint investment managers who will manage these risks appropriately on their behalf and from time to time review how these risks are being managed in practice.

1.6. Illiquidity/marketability risk

This is the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments. The Trustees manage this risk by only using pooled funds with daily dealing within the default strategies and diversifying the strategy across different types of investment.

1.7. 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 Plan's assets. The Trustees believe that the Plan's default strategies are adequately diversified between different asset classes and/or within each asset class. The self-select options provide a suitably diversified range of funds for members to choose from. This was a key consideration when determining the Plan's investment arrangements and is monitored by the Trustees on a regular basis.

1.8. Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustees receive written advice from a suitably qualified individual and will typically undertake an investment manager selection exercise. The Trustees monitor the investment managers on a regular basis to ensure they remain appropriate for their selected mandates.

1.9. Risk from excessive charges

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 Trustees are comfortable that the charges applicable to the Plan are in line with market practice and assess regularly whether these represent good value for members.