Cardif Pinnacle Group Pension Scheme

Defined Contribution Statement of Investment Principles

24 September 2019

Contents

1. Introduction

1.1. This Statement of Investment Principles ("the Statement") has been prepared by the Trustee of the Cardif Pinnacle Group Pension Scheme ("the Scheme") and relates to the defined contribution (DC) benefits provided through the Scheme. The Statement sets down the principles which govern the decisions about the investments that enable the Scheme to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004; and
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015, incorporating changes as required by The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.

1.2. In preparing this statement the Trustee has consulted Cardif Pinnacle, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries for a range of investment business activities.

1.3. The Scheme is a wholly-insured scheme as defined in the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010. This is because it is a trust scheme, which has no invested assets other than specified qualifying insurance policies.

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

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

1.6. The investment powers of the Trustee are set out in Clause 4 of the Definitive Trust Deed and Rules, dated April 2005. This statement is consistent with those powers.

2. Reasons for the Wholly-Insured Approach

2.1. The Trustee considers that a wholly-insured scheme is an appropriate arrangement. This route offers security of the benefits whilst providing low operational costs and sufficient flexibility in the choice of investments. The Trustee keeps the policy under review for its appropriateness.

3. Choosing investments

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

3.2. The Trustee's policy is to offer members access to a range of investment funds suitable for the Scheme's membership profile into which members can choose to invest their contributions and those contributions made by the employer. Details of these are given in the Appendix. In doing so, the Trustee considers the advice of their professional advisers, whom they consider to be suitably qualified and experienced for this role.

3.3. As a wholly insured arrangement the day-to-day management of the Scheme's assets is delegated Equitable Life. Equitable Life is responsible for selecting the manager(s) it deems appropriate to manage its fund. The Scheme's investment arrangements are detailed in the Appendix to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.

3.4. The Trustee reviews the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment manager with respect to its performance within any guidelines set. The Trustee will also consult the employer before amending the investment strategy.

4. Investment objectives

4.1. The Trustee has discussed and agreed key investment objectives in light of an analysis of the Scheme's membership profile as well as the constraints the Trustee faces in achieving these objectives. These are set out in the Appendix.

5. Kinds of investments to be held

5.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives.

6. The balance between different kinds of investments

6.1. There are no longer any members actively contributing to the Scheme and therefore the Trustee does not offer a default investment option. As there is no default investment option, the requirement set out in regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 do not apply.

6.2. The Trustee provides members with access to Equitable Life's full range of investment options (details are provided in the Appendix), which includes the Equitable Life With Profits Fund.

6.3. The Trustee considers the merits of both active and passive management for the various elements of the Scheme's portfolio and may select different approaches for different asset classes.

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

7. Risks

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

Inflation risk	The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the retirement savings. The Trustee makes available investment options that are expected to provide a long-term real rate of return.
Conversion risk	The risk that fluctuations in the assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the benefit amount likely to be received. The Trustee provides access to a With Profits investment Fund which is designed to offer smoothed investment returns.
Retirement income risk	The risk that a member's retirement income falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid. The Trustee periodically reviews the appropriateness of the investment options offered to ensure member outcomes can be maximised.
Investment manager risk	The Trustee monitors the performance of the Scheme's investment managers on a periodic basis in addition to having meetings with them from time to time as necessary.
Concentration/ Market risk	Each investment manager is expected to manage properly diversified portfolios and to spread assets across a number of individual shares and securities.
Currency risk	The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
Loss of investment	The risk of loss of investment by the investment manager and custodian is assessed periodically by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

8. Expected return on investments

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

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

9. Realisation of investments

9.1. The Trustee has delegated the responsibility for buying and selling investments to the investment manager.

10. Socially Responsible Investment, Corporate Governance and Voting Rights

Environmental, Social, and Governance ("ESG") considerations

10.1. The Trustee believes that environmental, social and corporate governance ("ESG") issues, including climate change, can have a financially material impact on the level of risk and performance of the Scheme's investments and should therefore be considered as part of the Scheme's investment process over the appropriate time horizon reflecting member periods until retirement. The Trustee considers these ESG issues by taking advice from its investment adviser.

10.2. As the investments held through the Scheme are invested in pooled investment funds, the ESG considerations are set by Equitable Life and the underlying investment managers for each of the funds.

10.3. The Trustee will monitor how ESG, climate change and stewardship are integrated within the investment processes adopted by the investment managers and will consider these issues as part of the criteria when reviewing the suitability of the investment options offered through the Scheme.

10.4. As part of the management of the Scheme the Trustee expects Equitable Life, as the bundled provider, to report to the Trustee on their ESG activities and those of each of the managers accessed through the Scheme as required.

Stewardship – Voting and Engagement

10.5. The Trustee believes that good stewardship and positive engagement can lead to improved governance and better risk-adjusted investor returns. The Trustee delegates the exercise of rights (including voting rights) attached Scheme to the investment managers.

10.6. As part of the management of the Scheme the Trustee expects Equitable Life, as the bundled provider, to report to the Trustee on their stewardship activity activities and those of each of the managers accessed through the Scheme as required.

10.7. In selecting and reviewing its investment managers to the Scheme, the Trustee will consider investment managers' policies on engagement and how these policies have been implemented.

Members' Views and Non-Financial Factors

10.8. In setting and implementing the investment strategy of the Scheme the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

10.9. The Trustee may consider non-financial matters as part of its overall decision making and setting of investment strategy including as and when views are proactively raised by members, and will continue to monitor and review its approach in this area.

11. Monitoring

11.1. Investment Performance: The Trustee periodically reviews the performance of each investment option offered through the Scheme against the stated performance objective. This takes into account both short-term and long-term performance. The investment manager's overall suitability for each mandate will be monitored as frequently as the Trustee considers appropriate in light of both its performance and other prevailing circumstances.

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

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

12. Agreement

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

Signed:... **Date:**.....................

On behalf of the Trustee of the Cardif Pinnacle Group Pension Scheme

Appendix 1 Note on investment policy in relation to the current Statement of Investment Principles dated September 2019

1. The balance between different kinds of investment

The Trustee's main investment objectives are:

- to offer an appropriate range of investment options so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different needs and objectives;
- seek to achieve good member outcomes net of fees and subject to acceptable levels of risk;
- to reduce the risk of the assets failing to meet projected retirement income levels.

The Trustee is responsible for choosing which investment options to make available to members. Members are responsible for their own choice of investment options.

The Trustee has made available a range of funds to suit the individual needs of the Scheme's members. For example, equity funds are available for those members willing to accept a greater level of volatility in pursuit of higher expected retirement savings. Bond and cash funds are also offered for those members who are less comfortable with the likely volatility of the equity funds.

2. Range investment options

Acknowledging that members will have different attitudes to risk and different aims for accessing their retirement savings, the Trustee provides access to Equitable Life's full range of investment funds. Details of the investment objectives of each fund are provided in the table below and some important notes are provided after the table. The investment managers are authorised and regulated by the Financial Conduct Authority.

Fund name	Manager	Objective
Equitable Life With Profits Fund [1]	BlackRock Investment Management Ltd	Not Stated
Equitable Life Far Eastern Fund	Aberdeen Standard Investments	To achieve long term capital growth by investing mainly in Far Eastern companies (excluding Japanese companies)
Equitable Life Pelican Fund	Aberdeen Standard Investments	To achieve long-term capital growth by investing mainly in UK companies
Equitable Life Gilt & Fixed Interest Fund	Aberdeen Standard Investments	To produce a level of income with the possibility of capital growth if, for example, interest rates fall,

Fund name	Manager	Objective
		by active investment in gilt-edged and other fixed interest investments, including money on deposit
Equitable Life European Fund	Aberdeen Standard Investments	To achieve capital growth in the long term by investing mainly in European companies excluding the UK
Equitable Life North American Fund	Aberdeen Standard Investments	To achieve capital growth in the long term by investing mainly in North American companies
Equitable Life All Share Tracker Fund	Aberdeen Standard Investments	To aim to match as closely as possible, subject to the effect of charges, the capital performance and net income yield of the FTSE All Share index.
Equitable Life Fund of Investment Trusts	Aberdeen Standard Investments	To achieve capital growth in the long term by investing mainly in investment trust companies.
Equitable Life Property Fund	Aberdeen Standard Investments	To provide investors with a combination of income and growth of capital consistent with a diversified commercial property portfolio
Equitable Life International Fund	Aberdeen Standard Investments	To achieve capital growth in the long term by investing in a diversified global portfolio of companies
Equitable Life Money Fund	Aberdeen Standard Investments	To preserve capital whilst aiming to provide a return in line with prevailing short term money market rates
Equitable Life Managed Fund	Aberdeen Standard Investments	To maximise the overall return from investments covering the UK and overseas equities, gilt-edged and fixed interest stock and property

[1] **Included within the fund range is the Equitable Life With Profits Fund which is closed to new investment.** A With Profits Fund is a pooled investment vehicle, which combines the assets of all investors to provide exposure to a range of asset classes. The fund is managed in line with its published Principles and Practices of Financial Management (PPFM) however the provider does have some discretion over how this is achieved.

The value of a With Profit fund is not directly linked to the value of the underlying assets. Instead, returns over the period are smoothed by retaining some profits in periods of higher growth and paying out more during periods of lower profits. This smoothing is achieved through a combination of regular bonuses and final bonuses which are determined by Equitable Life.

The performance of the investment managers will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

3. Fee agreements

The fee arrangements with the investment managers are summarised below:

Fund name	AMC
Equitable Life With Profits Fund	1.00% [1]
Equitable Life Far Eastern Fund	0.75%
Equitable Life Pelican Fund	0.75%
Equitable Life Gilt & Fixed Interest Fund	0.50%
Equitable Life European Fund	0.75%
Equitable Life North American Fund	0.75%
Equitable Life All Share Tracker Fund	0.50%
Equitable Life Fund of Investment Trusts	0.75%
Equitable Life Property Fund [6]	1.00%
Equitable Life International Fund	0.75%
Equitable Life Money Fund	0.50%
Equitable Life Managed Fund [7]	0.75%

Notes:
[1] This excludes the 0.5% for cost of guarantees.

The Trustee reviews these charges periodically as part of the Value for Money assessments.