NEC Staff Pension Scheme (UK)

Statement of Investment Principles – July 2023

1. INTRODUCTION

1.1 This Statement of Investment Principles (the “Statement”) has been prepared by the Trustees of the NEC Staff Pension Scheme (UK) (the “Scheme”). The Statement sets out the principles governing the Trustees’ decisions about the investment of the Scheme’s assets. The Trustees refer to this Statement when making investment decisions, to ensure that they are consistent with the principles set out in it.

1.2 The Statement is designed to meet the requirements of Section 35 of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005.

1.3 The Scheme’s investment arrangements, based on the principles set out in this Statement, are detailed in the Investment Policy Implementation Document (“IPID”).

1.4 The Trustees have obtained written professional advice from the Scheme’s Investment Consultant in preparing this Statement. The Trustees believe that the Investment Consultant meets the requirements of Section 35 (5) of the Pensions Act 1995. In matters where the investment policy may affect the Scheme’s funding policy, input has also been obtained from the Scheme Actuary. The Trustees will obtain similar advice whenever it reviews this Statement.

1.5 The Trustees’ investment powers are set out within the Scheme’s Trust Deed & Rules, subject to applicable legislation. If necessary, the Trustees will take appropriate legal advice regarding the interpretation of these. The Trustees note that, according to the law, the Trustees have ultimate power and responsibility for the Scheme’s investment arrangements.

1.6 The Trustees seek to maintain a good working relationship with NEC Europe (the “Principal Employer”) as well as the Participating Employers, as listed in the IPID, and will discuss any proposed changes to the Statement with the Principal Employer. However, the Trustees’ fiduciary obligations to Scheme members will take precedence over the Principal Employer’s wishes, should these ever conflict.

1.7 The Trustees believe that their investment policies and their implementation are in keeping with best practice, including the principles underlying the (Myners) Code of Best Practice for pension fund investment published in 2001.

1.8 The Trustees do not expect to revise this Statement frequently because the Statement covers broad principles. The Trustees will review this Statement in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustees and the Principal Employer that it judges to have a bearing on the Statement. This review will occur no less frequently than triennially. Any such review will again be based on written expert advice and will be in consultation with the Principal Employer.

1.9 The Statement is divided into three parts:

- Part A – Defined Benefit ("DB") Section;
- Part B – Additional Voluntary Contributions ("AVC"); and
- Part C – General.

2. SCHEME GOVERNANCE

2.1 The Trustees are responsible for the investment of the Scheme's assets but are permitted to delegate execution of these responsibilities. When determining which decisions to delegate, the Trustees have taken into account whether they have the appropriate training and are able to secure the necessary expert advice in order to take an informed decision. The Trustees' ability to execute the decision effectively is also taken into account.

2.2 The Trustees have established the Investment Committee ("IC") to focus on investment issues. Details of the IC's duties and responsibilities are included in the IPID.

2.3 An Investment Consultant has been appointed by the Trustees. The Investment Consultant's role is to advise the Trustees and IC as to the setting, implementation and monitoring of the investment strategy. Details of the Investment Consultant's duties and responsibilities are included in the IPID.

2.4 The Trustees have chosen to delegate day-to-day management of the Scheme's investments to the Investment Managers, in accordance with Section 34 of the Pensions Act 1995. The terms of each Investment Manager's appointment are contained in the Investment Management Agreement or Long Term Investment Policy, as appropriate, issued by the Investment Manager to the Trustees.

Details of the DB Section of the Scheme's strategic framework, within which the Investment Managers operate, are specified in the IPID. A listing of the Scheme's current Investment Managers (including a description of their mandates, benchmarks and the basis of their remuneration) is also set out in the IPID.

Details of the funds available to those members making AVCs are specified in the IPID. Each fund is managed by an Investment Manager within a defined mandate. The particulars of the mandate, benchmarks and the basis of remuneration related to each fund is included in the IPID too.

2.5 The responsibility for selecting and monitoring the custodians of the investments managed within pooled funds does not reside with the Trustees. However, each of the Investment Managers that uses a pooled fund to manage the Scheme's assets has written to the Trustees confirming the process for selecting and appointing the appointed custodians. The Trustees are satisfied with the arrangements in place. Further it has been noted that the custodians used by the Scheme's current managers are all market leading providers of custodial services.

2.6 The Scheme Actuary performs a valuation of the Scheme at least every three years, in accordance with regulatory requirements. The main purpose of the actuarial valuation is to assess the extent to which the Scheme's assets cover the accrued liabilities and agree the contribution rates. Details of the Scheme Actuary's duties and responsibilities, as far as they relate to the Scheme's investments, are included in the IPID.

PART A – DEFINED BENEFIT SECTION

3. INVESTMENT OBJECTIVE

3.1 The Scheme has been established primarily to pay benefits to members on retiring from the Scheme as well as to provide benefits to members' dependants on death before retirement. These benefits are funded, in part, by members' contributions. The balance of the cost is met by the Principal Employer and Participating Employers.

3.2 The Trustees' aim to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided as and when they fall due.

3.3 In setting the investment strategy, the Trustees initially considered the lowest risk combination of assets in relation to the Scheme's estimated liabilities. The estimated liabilities are a series of projected cash flows calculated on assumptions contained in the valuation basis. In principle, the matching assets would be a combination of UK Government bonds that provided the same cash flows. However, it is unlikely that such a combination exists. Further, certain characteristics of the liabilities cannot be matched in practice.

3.4 The combination of assets selected is intended to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Scheme's liabilities. However, the intention is to reduce investment risk relative to the Scheme's liabilities as circumstances permit.

3.5 The Trustees' primary funding objective is to be fully funded on the statutory funding basis (i.e. the Technical Provisions basis).

3.6 The Trustees have also set a long-term target for the Scheme to be fully funded by 2028 on a "gilts-flat" basis. The Trustees believe this represents a sufficiently low risk target for the Scheme, which may also be broadly consistent with the cost of buying out the Scheme at that point in time, noting that there is uncertainty around this relating to insurer pricing (and other factors).

3.7 The Trustees aim to hedge broadly 80% of the interest rate and inflation risks associated with the "gilts-flat" (which is approximately equivalent to 95% on the Technical Provisions basis), though with flexibility to implement tactical views around this.

4. RISK, RETURN AND INVESTMENTS CONSIDERED

4.1 The Trustees recognise that it is not necessarily possible, or even desirable, to select investments that exactly match the Scheme's estimated liabilities. Given the ongoing commitment of the Principal Employer to the Scheme, a degree of investment risk can be taken on, in the expectation of generating excess returns relative to the lowest risk strategy, since it is also acceptable to the Principal Employer and Participating Employers.

4.2 The Scheme has a long-term time horizon due to the fact that the modified duration of the Scheme's benefit cash flows is around 16 years.

4.3 In deciding to take investment risk relative to the liabilities, the Trustees have carefully considered the following possible consequences:

- The assets might not achieve the excess return relative to the liabilities anticipated over the longer term. This would result in the deterioration of the Scheme's financial position and consequently higher contributions than currently expected from the Principal Employer and Participating Employers.
- The relative value of the assets and liabilities will be more volatile over the short term than if investment risk had not been taken. This will increase the likelihood of there being a shortfall of assets relative to the liabilities in the event of discontinuance of the Scheme. This consequence is particularly serious if it coincides with the Principal Employer and Participating Employers being unable to make good the shortfall.
- This volatility in the relative value of assets and liabilities may also increase the short-term volatility of the Principal Employer's and Participating Employers' contribution rate set at successive actuarial valuations, depending on the approach to funding adopted.

4.4 The Trustees have taken advice on these issues from the Investment Consultant and the Scheme Actuary. It has also held related discussions with the Principal Employer.

4.5 The Trustees' willingness to take investment risk is dependent on the continuing financial strength of the Principal Employer and Participating Employers and their willingness to contribute appropriately to the Scheme.

4.6 The degree of investment risk the Trustees are willing to take also depends on the financial position of the Scheme. The Trustees will monitor the financial level of the Scheme and its liability profile, with a view to altering the investment objective, risk tolerance and/or return target should there be a significant change in either.

4.7 There are many different combinations of assets and investment management approaches that could be adopted in targeting a particular level of investment risk and/or expected return. The Trustees' objective is to identify those combinations that it believes are likely to maximise the return (net of all costs) for the level of risk taken.

4.8 The Trustees believe that diversification limits the impact of any single risk. However, the diversification of risk across multiple sources is constrained by the

Trustees' ability to implement and effectively monitor the range of investments being considered.

4.9 The asset categories set out below are among those that have been considered in setting the Scheme's asset strategy. The Trustees have noted the risks that investing in these asset categories introduces relative to the liabilities. Deciding to invest in assets other than the matching assets is a source of *strategic risk*, of which the risks below are components:

4.9.1 UK Government bonds – although UK Government bonds are the lowest risk asset relative to the Scheme's liabilities, they are not risk free. *Interest rate risk* exists if the cash flow profile of the UK Government bonds held differs from that of the estimated liabilities. *Inflation risk* exists if the assets and estimated liabilities have different linkages to inflation.

4.9.2 Non-Government Sterling bonds – in addition to interest rate risk and inflation risk, investing in non-Government bonds introduces *credit risk*. Credit risk reflects the possibility that the payments due under the bond might not be made by the borrower.

Non-Sterling (including emerging markets) bonds – in addition to the risks listed above, investing in non-Sterling bonds adds *currency risk*. The Scheme's liabilities are denominated in Sterling but investing in non-Sterling assets means that the assets are not. Consequently, changes in foreign exchange rates relative to Sterling will impact the relative value of the assets and liabilities when both are measured in Sterling terms. Non-Sterling bonds may be issued by governments and non-governmental borrowers.

4.9.3 All "physical" interest bearing assets, including high yield bonds and emerging markets debt as well as cash, share the risk characteristics detailed above to varying degrees. Investments incorporating derivative instruments can however reduce the degree of interest rate and inflation mismatch between Scheme liabilities and the assets held.

4.9.4 Liability matching funds – given the mismatch that exists between the interest rate and inflation sensitivity of the Scheme's liabilities and available bond assets, the Trustees have also considered investing in liability matching funds. The underlying investments within liability matching funds include gilts, "cash like" floating rate assets, interest rate swaps, RPI swaps, gilt total return swaps and gilt repo. Taken together, these investments can create an instrument whose performance more closely matches the interest rate and inflation sensitivities of long-dated pension fund liabilities.

4.9.5 Liability matching funds may also make use of leverage. The use of leveraged liability matching funds enables the Trustees to hedge a higher proportion the majority of the inflation and interest rate risk inherent in the mismatch between the Scheme's assets and liabilities, while continuing to invest a higher proportion of the Scheme's investment portfolio in return seeking assets than would otherwise be possible. In order to support the leverage, the manager holds physical assets (collateral) within the funds that comprise the LDI (liability driven investment) portfolio. When interest rates rise, the collateral value typically falls and there are fewer physical assets relative to the leveraged exposure delivered within the portfolio, resulting in an increased level of leverage. This may result in the LDI manager calling for additional collateral to be transferred to the portfolio to reduce the level of leverage. If these calls are not met, the manager can take action to reduce the hedging within the LDI portfolio.

4.9.6 Equities – equities, whether public or private, represent an ownership stake in a company. The value of this stake is determined by the buyer and seller of the stake and there is no certain value to this investment (unlike the payments contracted under a bond when held to maturity, subject to credit and currency risk). A periodic payment, in the form of a dividend, might be made to an equity holder although the timing and amount of this is uncertain. The uncertainty of the return from equities relative to the liabilities is captured in the form of the *equity mismatch risk*. The equity mismatch risk may be broken down into the credit risk of the underlying company, and the *volatility risk* associated with the stability of the price of the equity as well as currency risk for equities denominated in currencies other than Sterling among other risks.

4.9.7 Illiquid Credit – consists of credit investments in senior private debt which is not traded publicly and thus fairly illiquid. Compared to conventional credit, this asset class is expected to generate higher returns due to the illiquidity premium which is the reward an investor expects for holding assets that are less marketable in the short term. At the same time, excess returns are expected to be generated due to the less efficient nature of the markets, as they are less researched which makes it easier for the fund manager to find opportunities that offer good risk-adjusted pay-offs. In addition to interest rate risk, inflation risk and credit risk that applies to private debt in the same way as for conventional publicly traded non-government bonds, an element of illiquidity risk is introduced as these assets cannot be sold at short notice.

4.9.8 Cash - in theory a cash allocation should not be at risk of decline in absolute value. Cash holdings are however subject to counterparty credit risk (including when cash is held on deposit with a bank) which can be mitigated by diversification across a number of banks. In practice significant "cash" allocations (including holdings in cash funds) are likely to include near-cash instruments (for example certificates of deposit, floating rate notes, treasury bills) as well as cash deposits (diversified across a range of counterparties). Holding near-cash instruments can improve counterparty diversification and generate incrementally higher returns, but may also give exposure to a degree of mark-to-market risk, credit risk, duration risk and illiquidity. It should also be noted that a significant cash allocation is not, in isolation, "risk free" for a pension scheme given the duration mismatch with the liabilities.

4.10 Active management introduces *active risk* into the combination of assets held.

4.10.1 Active management within an asset category is defined as holding a combination of securities that differs from the asset class benchmark.

4.10.2 Active management risk across asset categories arises when the combination of asset categories held differs from that of the benchmark.

4.10.3 Skill-based investment strategies are usually largely made up of active risk. The Trustees have considered a range of such strategies for inclusion in the Scheme's investment portfolio.

4.10.4 Manager selection risk arises due to the potential for selecting an active manager that underperforms its benchmark on a net of management and transaction fees basis.

4.11 The risks associated with investing in derivatives are largely the same as those of investing in the underlying asset categories.

4.11.1 *Leverage* may be an additional risk introduced if the economic exposure arising from investing in a derivative is greater than the capital committed to the investment.

4.11.2 *Administrative risk* may also be present depending on the terms of the contract governing the derivative.

4.12 *Regulatory risk* arises from investing in a market environment where the regulatory regime may change. This may be compounded by *political risk* in those environments subject to unstable regimes.

4.13 *Liquidity risk* refers to the ease with which assets are marketable and realisable. This risk applies to all the asset categories listed above, albeit to varying degrees.

4.14 *Longevity Risk* reflects the possibility that on average members live longer than is assumed by the Scheme Actuary when valuing the liabilities.

4.15 *Environmental, Social and Governance (ESG) Risk* – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.

4.16 *Climate risk* – the extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

4.17 The Trustees have considered the risk relating to the safekeeping of the Scheme's Assets. Given that the Scheme invests in pooled funds, the safekeeping of the underlying assets is undertaken by parties selected by the fiduciaries of the pooled funds. The Trustees take note of the appointed custodians, although they understand that custodian appointment is at the discretion of the managers themselves.

4.18 The Trustees acknowledge that it is not possible to monitor all the risks listed above at all times. However, they seek to take on those risks it expects to be rewarded for over time, in the form of excess returns, in a diversified manner. The resulting combination of assets and investment management approaches has been selected to be consistent with the investment objective, risk tolerance and return target detailed above.

4.19 The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee determines to be financially material considerations in relation to the DB Section of Plan.

5. STRATEGIC MANAGEMENT

5.1 The Scheme-specific Benchmark, a high-level asset distribution for the Scheme's investments, has been determined to capture the strategic risk that the Trustees have decided to take. Further details, including details of the long term benchmark asset allocation and investment managers, are included in the IPID.

5.2 Once a revised Benchmark has been agreed, tolerance ranges, which will be set out in the IPID, will be set to seek to keep the asset distribution broadly in line with the Benchmark and consequently manage the risk of unintended asset exposures. Compliance with these tolerance ranges will be monitored at least quarterly.

5.3 The combination of assets underlying the Benchmark will be selected based on assumptions as to the future behaviour of the individual asset categories relative to the Scheme's liabilities. Observed behaviour and future behaviour from the point of observation will likely differ from the assumptions used in the decision making process. Consequently, the Trustees monitor the progression of the Scheme's financial position given the investment objectives set out above, to assess whether the realised outcome is proving consistent with the level of risk expected, on an ad hoc basis.

5.4 A review of the investment strategy will be conducted at least triennially, after any significant changes that impact the Scheme or if observations indicate that the risk tolerance has been breached. A review of the investment strategy will seek to re-assess the asset allocation the Scheme has adopted and restructure where necessary to better meet the objectives of the Scheme.

5.5 Each of the asset categories held is expected to make a specified contribution to the overall return profile of the Scheme, as per the assumption of future behaviour. Regular reporting, on a frequency as specified in the IPID, serves as a check as to whether the expectation is being realised. The return may be broken down between the strategic return, arising from investing in the specified asset category, and the active return, arising from the actions of the Investment Managers. Selection, risk management and monitoring related to the Investment Managers are discussed in Section 10.

6. CASHFLOW MANAGEMENT AND REBALANCING

6.1 The Trustees monitor the allocation between the Investment Managers and rebalance the Scheme's assets as set out in the IPID.

6.2 A working cash balance is held for imminent payment of benefits and expenses. Under normal circumstances it is not the Trustees' intention to hold a significant working cash balance.

6.3 In general, the Scheme's Investment Managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments. The Trustees will notify the Investment Managers of any amounts that need to be realised for the payment of benefits or expenses, and the timing of such realisations.

In addition, the Trustees invest in the income distributing share classes of the Legal and General Passive Global Equity portfolios and the Mercer Multi Asset Credit portfolio. Legal and Generals Passive Global Equity portfolio distributes income into the Trustee Bank Account on a monthly basis whereas, the Mercer Multi Asset Credit portfolio distributes income into the Trustee Bank Account on a quarterly basis.

PART B – ADDITIONAL VOLUNTARY CONTRIBUTIONS ("AVCS")

7. INVESTMENT POLICY AND OBJECTIVE

7.1 The Trustees recognise that members investing AVCs have differing investment needs, that these may change during the course of their working lives and that they may have differing attitudes to risk.

7.2 The Trustees believe that members should generally make their own investment decisions based on their individual circumstances. It regards its duty as making available a range of investment options which enables members to tailor their investment strategies to their own needs.

7.3 The Trustees' investment objective is to make available a range of funds which serve to meet in general the varying investment needs and risk tolerances of members investing AVCs.

8. RISK

8.1 The Trustees have considered risk from a number of perspectives and believe the following risks may be financially material. The Trustee believes that the appropriate time horizon within which to assess these risks should be viewed at the member level. This will be dependent on the member's age and when they expect to retire. In particular:

- *Risk of capital loss in nominal terms*. The protection of capital, over at least the medium-term (i.e. periods over 3 years), is fundamental in supporting the long-term growth of the members' accounts.

- *Risk of erosion by inflation*. If investment returns lag inflation over the period of membership, the real (i.e. post inflation) value of the members' savings will decrease.

- *Annuity purchase risk.* The assets held to purchase an annuity should behave in a similar manner to that of annuity prices.

- *Risk of returns from day-to-day management not meeting expectations*. This will lead to lower than expected returns to members. The Trustees have recognised that the use of active investment managers involves such a risk.

- *Market risk.* The value of securities, including equities and interest bearing assets, can go down as well as up. Members may not get back the amount invested. However, members realise that this risk is implicit in trying to generate returns above that earned by cash and accept this by investing in assets other than cash.

- *Liquidity risk*. The Scheme must be able to meet its liabilities as and when they become due. Members invest in a range of pooled investment vehicles that facilitate the availability of assets to meet benefit outflows.

- *Risk of selecting an inappropriate investment*. The Trustees remind members to take advice when members apply to make additional voluntary contributions. This reminder is intended to seek to ensure that members are invested in options appropriate to their needs and circumstances.

- *Environmental, Social and Governance (ESG) Risk* – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.

- *Climate risk* – the extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

9. INVESTMENT STRATEGY

9.1 Details of the Funds available to members on an ongoing basis are included in the IPID.

DEFINED BENEFIT SECTION & AVCs

10. MANAGING THE INVESTMENT MANAGERS

10.1 Day-to-day management of the assets is delegated to the Investment Managers, in accordance with the relevant Investment Management Agreements and attaching guidelines.

10.2 The Trustees accept that it is not possible to specify investment restrictions where assets are managed via pooled funds. Nevertheless, notwithstanding how the assets are managed, the Trustees consider the suitability of the relevant investment vehicles from an investment and legal perspective and take professional advice as appropriate.

10.3 Performance of each of the DB Section’s Investment Managers is measured at least quarterly and aggregated to facilitate comparison over longer periods. Performance is also aggregated across Investment Managers in order to calculate asset category and Scheme returns.

10.4 Performance of each of the funds made available to members investing AVCs is provided by the Investment Managers.

10.5 The Trustees retain the Investment Consultant to provide further help with monitoring the Investment Managers. The Investment Consultant provides quantitative analysis of the Investment Managers' portfolios as well as qualitative advice related to the factors likely to affect the Investment Managers' performance in future.

10.6 The Investment Committee and/or Trustees meet each Investment Manager regularly to discuss its performance, activity and other issues.

11. INVESTMENT MANAGER ARRANGEMENTS

11.1 Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for. The Trustees look to their professional advisers for their forward looking assessment of a manager's ability to perform over a full market cycle. Manager research ratings, provided by the professional advisers, assist the Trustees with due diligence and are used in decisions around selection, retention and realisation of manager appointments.

11.2 Where the Trustees invest in pooled investment vehicles, they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates have been selected to align with the overall investment strategy.

11.3 Congruent with the policies outlined in Section 12, the Trustees will also consider the investment consultant's assessment of how each investment manager embeds environmental, social and corporate governance (ESG) into its investment process and how the manager's responsible investment philosophy aligns with the Trustees' responsible investment policy. This includes the investment managers' policy on voting and engagement. The Trustees will use this assessment in decisions around selection, retention and realisation of manager appointments.

11.4 Trustees receive a performance report from an investment manager on a quarterly basis, which present performance information over 3 months, 1 year, and 3 years. The Trustees review the absolute performance, relative performance against a suitable index used as the benchmark, and against the manager's stated target performance (over the relevant time period) on a net of fees basis. The Trustees' focus is on long term performance but will put a manager 'on watch' if there are short term performance concerns. The investment managers are incentivised through remuneration and performance targets. If a manager is not meeting performance objectives, the Trustees may ask the manager to review their fees. Periods of sustained underperformance may lead to an appointment being reviewed.

11.5 If the investment objective for a particular manager's fund changes, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives. Furthermore, investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustees are dissatisfied, then they will look to replace the manager.

11.6 The Trustees are long term investors and are not looking to change the investment arrangements on a frequent basis. For open-ended funds, there is no set duration for the manager appointments and generally the Trustees will retain an investment manager unless:

- There is a strategic change in the overall strategy that no longer requires exposure to that asset class or manager;

- The manager appointment has been reviewed and the Trustee has decided to terminate.

11.7 For closed-ended funds, the intention is for the Scheme to be invested in a manager's fund for the lifetime of the fund. At the time of appointment, the investment managers' provided an indication of the expected investment duration of their funds and have the discretion to extend the lifetime of the fund in line with the Investment Management Agreement.

11.8 The Trustees do not currently monitor portfolio turnover costs in respect of the Defined Benefit Section, and has no set portfolio turnover targets, but will consider this position going forwards.

12. POLICY ON ESG, STEWARDSHIP AND CLIMATE CHANGE

12.1 The Trustees believe that ESG factors can have a financially material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly require explicit consideration.

12.2 As the Scheme's assets are invested via pooled funds, the Trustees accept that adoption of Responsible Investment is subject to the investment managers' policies on the management of ESG issues. The Trustees have noted the recommendations set out in the Financial Reporting Council's UK Stewardship Code and will review the Scheme's underlying managers' compliance with the Code periodically. The Trustees are satisfied this corresponds with their responsibilities to the beneficiaries of the Scheme and monitors the Investment Managers' policies on a regular basis.

12.3 Where relevant to the manager's mandate, the Trustees have given them full discretion in evaluating ESG factors, including climate change considerations. In addition, they have delegated to them engagement with companies, and exercising voting rights and stewardship obligations attached to the investments, including considering climate change impacts. These voting decisions are monitored by the Trustees periodically. Where applicable managers are required to outline their stewardship policies, which the Trustees expect for equity managers to reflect current UK best practice, including the UK Corporate Governance Code and UK Stewardship Code.

12.4 The Trustees have not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in the future.

12.5 Given the objectives of the Scheme, the Trustees have not considered any non-financially material factors in the development and implementation of their investment strategy. The Trustees have not imposed any restrictions or exclusions to the investment arrangements based on non-financially material considerations. Members views are not taken into account in the selection, retention and realisation of investments, but members have a variety of methods by which they can make views known to the Trustees. This position is reviewed periodically.

13. COMPLIANCE WITH THIS STATEMENT

13.1 The Trustees will review compliance with this Statement at least triennially. Each Investment Manager will provide written confirmation that they have complied with their obligations under the Pensions Act 1995. The Trustees undertake to advise the Investment Managers promptly and in writing of any material change to this Statement.

13.2 A copy of this Statement has been provided to the Principal Employer, Participating Employers, Investment Consultant, and Investment Managers.

Signed on behalf of the Trustees of the NEC Staff Pension Scheme (UK).

Signed: ______________________________ Date: ______________________________

Name: ______________________________

Signed: ______________________________ Date: ______________________________

Name: ______________________________