

DC Statement of Investment Principles

1. Introduction

- 1.1. This DC Statement of Investment Principles ("SIP") has been prepared by BAE Systems Executive Pension Scheme Trustees Limited (the "Trustee") as the trustee of the BAE Systems Executive Pension Scheme ("Scheme") and specifically relates to the 2006 Section, 2012 Retirement Plan and additional voluntary contributions ('AVC') section. It has been drafted in accordance with the Pensions Act 1995 (as amended; the "PA95"), the Occupational Pension Schemes (Investment) Regulations 2005 (as amended; the "Investment Regulations") and the Pensions Regulator's Guidance on Investment Governance.
- 1.2. This SIP sets out the Trustee's policies for investment of assets representing members' money-purchase or defined contribution benefits under the Scheme. The Trustee's policies for investment of assets held for providing defined benefits under the DB Section of the Scheme are set out in the Trustee's DB Statement of Investment Principles for that Section. The DB SIP and this SIP together comprise the Statement of Investment Principles for the BAE Systems Executive Pension Scheme Sections required by section 35 of the PA95.
- 1.3. The Scheme's investment arrangements, based on the principles set out in this SIP, are detailed in Appendices to this SIP.
- 1.4. In preparing this SIP the Trustee has consulted BAE Systems plc (the "Principal Employer") and obtained written investment advice. The Trustee has also obtained legal advice to ensure the SIP complies with the requirements relating to SIPs as set out in the PA95 and the Investment Regulations. The Trustee will obtain similar advice whenever it reviews this SIP.
- 1.5. The Trustee will seek to maintain a good relationship with the Principal Employer and will discuss any proposed changes to this SIP with the Principal Employer.
- 1.6. In addition to the statutory requirements imposed by the PA95 and the Investment Regulations, the Trustee's investment responsibilities are set out in the Scheme's Rules dated 12 December 2012 (the "Rules"). This SIP takes full account of the provisions of the Rules and a copy of the Rules is available for inspection by members, upon request.
- 1.7. The Trustee strives to ensure that the investment policies and their implementation are in keeping with the law (including the PA95 and the Investment Regulations) and best practice, (including the Myners principles first published in 2001 and revised in 2008).
- 1.8. The Trustee will review the SIP at least every three years and without delay after any significant change in investment policy.
- 1.9. The Appendices to this SIP will be reviewed at least every year, and without delay, if there are relevant, material changes to the Scheme.

2. Scheme Investment Aims and Objectives

- 2.1. The Trustee is responsible for the choice of investment options made available to members of the Scheme, including the default option. The Trustee's primary objectives are:
 - 2.1.1. "asset choice" to ensure members have an appropriate choice of assets for investment with a range of options suitable for meeting members' investment objectives over their investment time horizons;
 - 2.1.2. "return objective" to enable members to benefit from investment in 'growth' assets until they approach retirement, when they will be able to switch into

assets more related to how they plan to take their benefits in retirement.

- 2.2. The Trustee's investment strategy has been chosen to enable members to maximise the likelihood of achieving these aims and objectives.

Trustee's Policies

3. Kinds and balance of investments

- 3.1. After taking advice, the Scheme Investment Aims and Objectives are implemented using the range of investment options set out in the Appendices. The Appendices also show the balance between different kinds of investments held, which differ for each member, with the Lifestyle Profiles reducing the risk inherent in members' portfolios in the run up to retirement.
- 3.2. The Trustee also makes available to members three lifestyle options designed for members wishing to take their benefits at retirement in different ways. These are the Flexible Lifestyle Profile, designed for members wishing to access their benefits flexibly, the Annuity Lifestyle Profile, designed for members wishing to take the maximum tax-free cash and purchase an annuity with the remainder, and the Cash Lifestyle Profile, designed for members wishing to take all their benefits as cash. The lifestyle options invest in a range of white labelled¹ blended funds, determined by the Trustee. The structure available depends upon the Section of the Scheme of which the individual is a member, as does the default investment option. Within the 2012 Retirement Plan, the Flexible Lifestyle Profile operates as the default investment option if members do not wish to make their own investment choice. The default investment option for members of the 2006 Section is the Cash Lifestyle Profile.
- 3.3. The lifestyle options are designed to be appropriate for a typical member with a predictable retirement date. However, the lifestyle options may not be suitable for members who unexpectedly retire early.
- 3.4. The Trustee's policy is to provide suitable information for members so that they can make appropriate investment decisions. The range of funds was chosen by the Trustee after taking advice from its investment advisers. In choosing the Scheme's investment options, it is the Trustee's policy to consider:
 - 3.4.1. A full range of asset classes.
 - 3.4.2. The suitability of the possible styles of investment management and the need for manager diversification.
 - 3.4.3. The suitability of each asset class for DC and AVC arrangements.
 - 3.4.4. The need for appropriate diversification of asset classes.
 - 3.4.5. Delivery of the investment options in an efficient and cost-effective manner.

4. Expected return on investments

- 4.1. The Trustee expects the long-term return on the investment options that invest predominantly in equities to exceed price inflation and general salary growth.
- 4.2. The long term returns on the bond and cash options are expected to be lower than returns on predominantly equity options.
 - 4.2.1. Long dated bond funds are expected to broadly match the price of annuities, giving

¹ A white labelled fund is a Scheme specific fund set up at the request of the Trustee. The fund's name and constituent fund(s) are chosen by the Trustee. White labelling allows the Trustee to make changes to the underlying constituents of the fund promptly and efficiently.

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some protection in the amount of secured pension for members closer to retirement for those members wishing to secure an annuity with part or all of their DC benefits.

- 4.2.2. Cash funds will provide protection against changes in short-term capital values and may be appropriate for members wishing to take part or all of their DC benefits in the form of a cash lump sum.
- 4.3. The long-term investment objectives for the active multi-asset options are two-fold: to achieve returns in excess of cash over a three to five year period and to provide these returns with a lower level of volatility than with predominantly equity options.
- 4.4. The long term returns on property funds are expected to exceed price inflation and be greater than that of an investment grade bond portfolio but be lower than returns on predominantly equity options.

5. Default Arrangements

- 5.1. The Trustee is required to designate a default investment arrangement into which members who are automatically enrolled (which occurs by enrolment into the Scheme) have monies invested. The Trustee has designated the following as the default investment arrangements for the Scheme:
 - 5.1.1. The Cash Lifestyle Profile for 2006 Section members (outlined in Appendix 2); and
 - 5.1.2. The Flexible Lifestyle Profile for 2012 Retirement Plan members (outlined in Appendix 3).
- 5.2. In addition to the above default investment arrangements, in March 2019 when changes to the default and other lifestyle options offered to members were made, two additional 'deemed defaults' were created when certain members within six years of retirement, or who had previously selected a pension lifestyle option, were transitioned into a lifestyle option other than the default investment arrangements stated above. This was done to maintain these members' previous target asset allocation at retirement, which assumed these members would take the maximum tax-free cash sum and use the balance to purchase an annuity. These two additional deemed default arrangements are the Annuity Lifestyle Profile for 2006 Section members (outlined in Appendix 2) and the Annuity Lifestyle Profile for 2012 Retirement Plan members (outlined in Appendix 3). These two additional lifestyle options are treated as default investment arrangements until such a time that all members automatically transitioned into these lifestyle options in March 2019 leave the Scheme.

Default arrangements aims and objectives

- 5.3. In addition to the aims and objectives described above, the default investment arrangement has been chosen by the Trustee so as to try and maximise the projected value of members' at retirement savings, while reducing volatility as members approach retirement.
 - 5.3.1. For the 2012 Retirement Plan, the default has been designed on the basis that members will use their DC benefits flexibly at retirement, for example, to access income drawdown. Members of the 2012 Retirement Plan receive DC benefits only from the Scheme, with no attaching defined benefit provision. For these members it is expected that their DC benefits will be used to provide an income in retirement income, with a large proportion expected to access income drawdown given the relatively high projected fund values at retirement. In addition, for the 2012 Retirement Plan the additional default, the Annuity Lifestyle Profile, assumes members will take the maximum tax-free cash sum and use the balance to

purchase an annuity.

- 5.3.2. For the 2006 Section, the default assumes members will take all of their DC benefits as a cash lump sum. Members of the 2006 Section have both defined contribution and defined benefit provision through the Scheme, with their DC benefits providing a 'top up' to the defined benefit provision. It is anticipated that members of the 2006 Section are more likely to take their DC benefits as a cash lump sum at retirement, for example, to provide the maximum tax free lump sum available. In addition, for the 2006 Section the additional default, the Annuity Lifestyle Profile, assumes that members will take all of their DC benefits to purchase an annuity.
- 5.4. The Trustee, with its investment adviser, assessed the suitability of the default investment arrangement in light of the regulations governing the ways in which members can access their benefits at retirement. This assessment considered the membership profile of the Scheme and members' expected fund values at retirement. The assessment resulted in changes being implemented in 2019 which resulted in the default investment option for 2012 Retirement Plan members targeting a flexible investment strategy at retirement, and for 2006 Section members the default strategy targets a cash lump sum at retirement. The additional defaults for the 2012 Retirement Plan and the 2006 Section continue to target annuity purchase at retirement and were used to transition certain members within six years of retirement or who had previously selected a pension lifestyle option as part of the 2019 investment changes.
- 5.5. As explained above and in the rest of this SIP, the aims, objectives and policies described in this SIP in relation to the default arrangements (the default strategies) are intended to ensure that assets are invested in the best interests of members and beneficiaries.

Default arrangements policies

- 5.6. The Trustee's policies in relation to the default arrangements in respect of matters set out in Regulation 2(3)(b), 2(3)(c) and 2(3)(d) of the Investment Regulations, as amended, are those set out elsewhere in this document.

6. Risk Measurement and Management

- 6.1. The Trustee recognises the key risk is that members will have insufficient income in retirement or an income that does not meet their expectations. The Trustee considers this risk when setting the investment options and strategy for the Scheme. The Trustee's policy in respect of risk measurement methods and risk management processes is set out below.
- 6.2. The Trustee considers the following sources of risk:
 - 6.2.1. Risk of not meeting the reasonable expectations of members, bearing in mind members' contributions and fund choices.
 - 6.2.2. Risk of investment managers not meeting their objectives ("manager risk").
 - 6.2.3. Risk of the default option being unsuitable for the requirements of some members.
 - 6.2.4. Environmental, social and governance risks as set out in section 10 of this SIP.
 - 6.2.5. The risk of fraud, poor advice or acts of negligence ("operational risk"). Operational risk is considered as part of the selection and ongoing monitoring of the underlying managers used through manager ratings and information provided by the Trustee's investment adviser.
- 6.3. The Trustee maintains a risk register and regularly reviews each of the documented risks, including consideration of the actions in place to mitigate each risk. Due to the complex and interrelated nature of these risks, the Trustee considers these risks in a qualitative and quantitative manner as part of each formal strategy review including consideration of the impact on projected member outcomes. The Trustee's policy is to review the range of funds

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offered and the suitability of the lifestyle options on a formal basis triennially and to carry out an 'interim' annual review to ensure the funds and lifestyle profiles remain up to date and to manage risks.

- 6.4. These risks are considered as part of each normal strategy review. In addition, the Trustee measures risk in terms of the performance of the assets compared to the benchmarks on a regular basis, typically quarterly, along with monitoring any significant issues with the investment managers that may impact their ability to meet the performance targets and objectives set by the Trustee. The Trustee's quarterly investment reports incorporate a 'Red, Amber, Green' performance assessment for each fund to bring to the Trustee's attention underperforming funds (flagged with either a Red or Amber rating) for discussion. A separate document outlines the monitoring protocols in place, including the actions that the Trustee will consider. The Trustee has chosen to white label the funds offered to members and this enables underperforming funds to be replaced quickly and with minimal member disruption.

7. Governance

- 7.1. The Trustee of the Scheme is responsible for the investment of the Scheme assets. The Trustee recognises that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to take an informed decision.

Direct Investments

- 7.2. The PA95 distinguishes between investments where the management is delegated to an investment manager under a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments**.
- 7.3. The Trustee's policy is to review its direct investments and to obtain written advice about them at least triennially. These include vehicles available for members' DC contributions and AVCs.
- 7.4. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the investment manager.
- 7.5. The written advice will consider the issues set out in the Investment Regulations and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the investment managers) against the following criteria:
 - 7.5.1. the best interests of the members and beneficiaries;
 - 7.5.2. security;
 - 7.5.3. quality;
 - 7.5.4. liquidity;
 - 7.5.5. profitability;
 - 7.5.6. nature and duration of liabilities;
 - 7.5.7. tradability on regulated markets;
 - 7.5.8. diversification; and
 - 7.5.9. use of derivatives.

For the avoidance of doubt, where the Trustee makes any new direct investments, these will also take into account environmental, social and governance considerations.

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- 7.6. The Trustee's investment adviser has the knowledge and experience to provide advice as required under the PA95.

8. Implementation

- 8.1. Aon has been selected as investment adviser to the Trustee. It operates under an agreement to provide a full service designed to ensure that the Trustee is fully briefed both to take decisions itself and to monitor those it delegates. They are paid on an agreed basis and fees are negotiated and agreed separately for services provided including one-off projects. This structure has been chosen to ensure that cost-effective, independent advice is received.
- 8.2. The Trustee accesses the various funds through the Standard Life platform. Equiniti Paymaster is responsible for collecting the contributions and Standard Life is responsible for investing them with the underlying investment managers.
- 8.3. The investment manager structure and investment objectives for each investment manager ("mandates"), including details of the white labelled blended funds, are as set out in Appendix 1.
- 8.4. The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to the relevant investment manager through Standard Life. This includes the day-to-day management of the white labelled blended funds, the detail of which is set out in a separate agreement.
- 8.5. The Trustee has a policy in place to review the appointment with Standard Life periodically. The aim and objective of periodic reviews is to ensure that assets are invested in the best interests of members and beneficiaries.
- 8.6. When choosing investments, the Trustee and the investment managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Investment Regulations (regulation 4). The managers' duties also include:
 - 8.6.1. Taking into account environmental, social or governance considerations in the selection, retention and realisation of investments (see Section 9 below).
 - 8.6.2. Voting and corporate governance in relation to the Scheme's assets including taking into account the Institutional Shareholders' Committee Statement of Principles on the Responsibilities of Institutional Shareholders and Agents (see Section 10 below).
- 8.7. The Trustee expects the investment managers to manage the assets delegated to it under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practical.
- 8.8. The Trustee's policy is that investment managers are remunerated on a fee basis related to the amount of assets under management. This structure has been chosen as the most cost-effective available to Defined Contribution pension plans. There are no incentive fees paid on any of the funds offered to members. The Trustee's policy on cost monitoring is set out in Section 12 below.
- 8.9. The Trustee reserves the right to remove or change the investment options, including the white labelled blended funds, at any time following identification of a particular issue and after receiving advice from its investment advisers.

9. Environmental, Social and Governance Considerations

- 9.1. The Trustee's primary consideration in formulating the investment options is to act in the

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best financial interests of members and beneficiaries of the Scheme. The Scheme's investments are managed with the aim of providing positive retirement outcomes for members, with an appropriate level of risk.

- 9.2. Within the context of this objective, the Trustee considers the extent to which Environmental (including climate change), Social and Governance (ESG) factors should be taken into account in the selection, retention and realisation of investments.
- 9.3. The Trustee recognises that the consideration of financially material factors, including ESG factors, needs to be assessed in the context of the long-term nature of the Scheme's investments and is relevant at different stages of the investment process. Furthermore, the Trustee expects that all external investment managers, tasked with the responsibility for managing Scheme assets, will take account of all the relevant financially material factors, including the potential impact of ESG factors in the implementation of the investment mandate.
- 9.4. The Scheme's Lifestyle Profiles have been determined using appropriate long-term economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. Given the inherent uncertainty, the Trustee has not made explicit allowance for the risks of climate change in setting the strategic asset allocation of the Lifestyle Profiles.
- 9.5. In selecting new investment managers for the Scheme, the Trustee considers potential managers' approaches to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision making.
- 9.6. Members' views are not actively gathered in advance of setting or reviewing the Scheme's DC investment strategy, although the Trustee intends to advise DC members how they can share any views they may have in this area. Any view expressed by a member is considered by the Pensions Team and brought to the attention of the Trustee Board, if appropriate.
- 9.7. The Trustee has not imposed any restrictions or exclusions to the investment arrangements based on non-financial factors, including member views.
- 9.8. The Trustee has made available an ethical investment option and Shariah option to members. The Ethical option is a passively managed fund that does not invest in any securities which fail to meet certain environmental, social and ethical criteria as determined by the index provider (FTSE) and excludes stocks that violate United Nations Global Compact principles. The Shariah option, which complies with principles of Shariah law, aims to perform in line with the Dow Jones Islamic Titans 100 Index which consists of Shariah compliant companies that have been endorsed by the Dow Jones Shariah Supervisory Committee.

10. Exercise of rights and engagement

- 10.1. Details of the arrangements for each underlying investment manager are set out in legal agreements between the investment managers and the platform provider, Standard Life. The Trustee does not have any legal contracts with underlying investment managers, however investment managers are selected and monitored by the Trustee and the Trustee engages with investment managers directly during the selection, monitoring and review processes.
- 10.2. The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies. It has examined the issues in relation to corporate governance and on the exercise of voting rights. It recognises that good corporate governance creates the framework within which a company should be managed.
- 10.3. With all investments being held in pooled funds, the exercise of rights, including voting

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rights, attaching to investments will be exercised by each investment manager. It is the Trustee's expectation that voting powers will be exercised by each investment manager with the objective of preserving and enhancing long term shareholder value having regard to environmental, social and governance factors.

- 10.4. The Trustee expects each investment manager to engage with and monitor its investee companies (including in relation to issues concerning issuers of debt or equity, such as their performance, strategy, risks, capital structure, management of actual or potential conflicts of interest, social and environmental impact and corporate governance) and to engage with other investors and shareholders in accordance with the methods and circumstances set out in the investment manager's own policies on stewardship. The Trustee expects investment managers to make available regular reports in this area to support the Trustee in assessing whether these are in line with their own objectives.

11. Arrangements with investment managers

- 11.1. The Trustee monitors the Scheme's investments annually to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies, including those on non-financial matters. This includes monitoring the extent to which investment managers:
- 11.1.1. make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
 - 11.1.2. engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.
- 11.2. The Trustee is supported in this monitoring activity by its investment adviser.
- 11.3. The Trustee shares the policies, as set out in this SIP, with the Scheme's investment managers and requests that the investment managers review whether their approach is in alignment with the Trustee's policies on an annual basis. The Trustee request that any investment manager responsible for more than 10% of the Scheme's assets confirms their adherence with the Trustee's policies in writing.
- 11.4. Before the appointment of a new investment manager, the Trustee's investment adviser will share the Trustee's investment beliefs, as set out within this SIP, requesting that any newly appointed investment manager confirms adherence with these policies prior to appointment. Recognising that the Trustee does not contract directly with the underlying managers, the Trustee will express its expectations to the investment managers by other means, such as through a side letter, in writing, or verbally at Trustee meetings.
- 11.5. The Trustee believes that having appropriate governing documentation, setting clear expectations to the investment managers by other means (where necessary), and regular monitoring of investment managers' performance and investment strategy, is in most cases sufficient to incentivise the investment managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.
- 11.6. Where investment managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the investment manager but could ultimately replace the investment manager where this is deemed necessary.
- 11.7. There is typically no set duration for arrangements with the investment managers, although the continued appointment for all investment managers will be reviewed periodically, and at least every three years. In particular, the Trustee will carry out review meetings with each investment manager as deemed appropriate (see Section 12.6).

12. Cost Monitoring

- 12.1. The Trustee is aware of the importance of monitoring its investment managers' total costs and the impact these costs can have on the overall value of members' assets. The Trustee recognises that, in addition to annual management charges, there are other costs incurred by investment managers that can increase the overall cost incurred by members.
- 12.2. The Trustee receives annual cost transparency reports from the Scheme's platform provider, Standard Life, as part of the annual Chair's Statement preparation process. These reports present information in line with prevailing regulatory requirements for DC arrangements. These reports will then be supplemented, where practically possible and on an annual basis, with the following information:
 - 12.2.1. The fees paid to the manager of each fund, where available.
 - 12.2.2. The amount of portfolio turnover costs (transaction costs) incurred for each fund.
 - 12.2.3. Any additional charges incurred, where applicable, with these being considered in respect of each fund in isolation, and relative to peers. For example, costs for passive funds will be compared with those of other passively managed funds, and costs for active funds will be reviewed against a comparable active peer(s).
 - 12.2.4. The impact of costs on the investment return achieved by members.
- 12.3. The Trustee acknowledges that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and managers.
- 12.4. The Trustee defines portfolio turnover as the number of purchases plus sales for each fund. The Trustee expects portfolio turnover for passively managed funds to be relatively low, reflecting the passive investment objective of the funds. For actively managed funds, the Trustee typically expects portfolio turnover to be higher compared with passively managed funds, although considers portfolio turnover in the context of each investment manager's stated philosophy and investment approach. The Trustee's investment adviser will support the Trustee in monitoring the level of portfolio turnover of all the investment managers appointed.
- 12.5. Having reviewed each fund's costs, the Trustee, with the support of its investment adviser, will then consider whether any action is required. In making this decision consideration will be given to the total assets invested in each fund, as well as the Trustee's resources, looking to allocate the Trustee's resources most efficiently and to the benefit of the member population. Should further action be deemed appropriate, actions include: additional investigation, escalating concerns to the investment manager and ultimately removing the fund from the fund range.

Evaluation of performance and remuneration

- 12.6. The Trustee assesses the performance of the investment managers on a rolling three and five year basis against their specific benchmark and targets. The remuneration paid to the investment managers (where known), and fees incurred are reviewed annually by the Trustee. The Trustee carries out a more detailed review of these costs and performance trends triennially.

13. Realisation of investments

- 13.1. The Scheme's assets are invested in daily priced pooled investment funds and the vast majority of the underlying assets are invested in quoted markets. The platform provider can be required to realise investments, through the sale of units in pooled funds, as soon as it becomes appropriate to do so. Whilst it is expected that under normal market

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conditions assets should be redeemable within 24 hours, under certain situations the time it takes to successfully redeem units may be extended due to circumstances outside the Trustee's control.

- 13.2. In the event that the Trustee instructs the redemption of units for any reason, such as to replace one or more investment options, the redemption will be undertaken after due consideration of different transition options. This will include consideration of the liquidity, expected transaction costs and associated risk, to ensure that any changes are implemented in the best interests of members.

14. Review

- 14.1. The Trustee will review this SIP at least triennially and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Principal Employer over any changes to the SIP.

15. Signatures

- 15.1. Prior to adopting this SIP and amending this in the future, the Trustee has consulted with the Principal Employer to obtain their agreement.

Signature Redacted DATE: 18 September 2020

NAME: Andrew Gallagher

TITLE: Chair of Trustees

For and on behalf of BAE Systems Executive Pension Scheme Trustees Limited

Signature Redacted DATE: 18 September 2020

NAME: Kelly Davies

TITLE: Head of Corporate Pensions

For and on behalf of BAE Systems plc

Appendix 1**Fund Options**

Fund	2006 Section	2012 Retirement Plan
Lifestyle profiles		
Flexible Lifestyle Profile*	✓	✓ default
Annuity Lifestyle Profile*	✓ additional default	✓ additional default
Cash Lifestyle Profile*	✓ default	✓
Lifestyle Funds only		
Growth Fund (CR)	Lifestyle only	Lifestyle only
Multi Asset Fund (CR)	Lifestyle only	Lifestyle only
Lifestyle and Freestyle Funds		
Money Market Fund (CR)	✓	✓
Annuity Purchase Fund (CR)	✓	✓
Inflation Linked Government Bond Fund (CR)	✓	✓
Bond Fund (CR)	✓	✓
Freestyle Funds Only		
Diversified Asset Fund (CR)	✓	✓
Fixed Government Bond Fund (CR)	✓	✓
Property Fund (CR)	✓	✓
Passive UK Equity Fund (CR)	✓	✓
Active UK Equity Fund (CR)	✓	✓
Passive Global Equity Fund (CR)	✓	✓
Active Global Equity Fund (CR)	✓	✓
Emerging Market Equity Fund (CR)	✓	✓
Responsible Investment Fund (CR)	✓	✓
Shariah Fund (CR)	✓	✓
Global Bond Fund (CR)	✓	✓
Passive European Equity Fund (CR)	✓	✓
Passive Japanese Equity Fund (CR)	✓	✓
Passive Pacific Rim Equity Fund (CR)	✓	✓
Passive US Equity Fund (CR)	✓	✓

✓ Indicate fund / lifestyle option available to members as a stand-alone investment option.

* The Lifestyle Profiles available to members in the 2012 Retirement Plan have 15 year de-risking periods. The Lifestyle Profiles available to the 2006 Section members have 10 year de-risking periods. More information on the Lifestyle Profiles are set out in the Appendices.

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Fund Name	Underlying funds	Benchmark	Total Expense Ratio* (% p.a.)	Active Management or Index Tracker	Type of Investment
Growth Fund (CR)	25% SL iShares UK Equity Index Pension Fund 40% SL BlackRock ACS World ex UK Equity Tracker Pension Fund 10% SL iShares Emerging Markets Equity Index Pension Fund 12.5% SL BlackRock Aquila Global Minimum Volatility Index Pension Fund 12.5% SL BlackRock Aquila Developed Fundamental Weighted Index Pension Fund	25% FTSE Custom All Share Net of Tax Mid-Day 40% FTSE Custom Dev ex UK Net of Tax Mid-Day 10% FTSE Custom Emerging Net Midday Index 12.5% MSCI World Minimum Volatility (GBP Optimized) Index - GBP Net 12.5% FTSE RAFI Developed 1000 QSR TR Net Index in GBP	0.36	The Fund may invest in both passive index tracking and actively managed funds.	Equity
Money Market Fund (CR)	Standard Life Deposit and Treasury Pension Fund	ABI (Pension) Deposit and Treasury Sector	0.36	Active	Cash
Multi Asset Fund (CR)	50% SL BlackRock Dynamic Diversified Growth Fund 50% SL Invesco Targeted Return Fund	50% Bank of England Base Rate 50% 3-month LIBOR	1.02	The Fund may invest in both passive index tracking and actively managed funds.	Multi-Asset
Annuity Purchase Fund (CR)	Standard Life Annuity Targeting Pension Fund	<i>Non-Applicable</i> ¹	0.36	Active	Bonds
Inflation Linked Government Bond Fund (CR)	SL iShares Index Linked Gilt Index Pension Fund	FTSE Actuaries UK Index Linked Gilts Over 5 Years (Midday) Index	0.31	Passive	Bonds
Bond Fund (CR)	Standard Life Corporate Bond Pension Fund	ABI (Pension) Sterling Corporate Bond Sector	0.36	Active	Bonds
Diversified Asset Fund (CR)	50% SL BlackRock Dynamic Diversified Growth Fund 50% SL Invesco Targeted Return Fund	50% Bank of England Base Rate 50% 3-month LIBOR	1.07	The Fund may invest in both passive index tracking and actively managed funds.	Multi-Asset
Fixed Government Bond Fund (CR)	SL iShares Over 15 Year Gilt Index Pension Fund	FTSE Actuaries UK Conventional Gilts Over 15 Years (Midday) Index	0.32	Passive	Bonds
Property Fund (CR)	SL Threadneedle UK Property Pension Fund	IPD UK Monthly Index	1.15	The Fund may invest in both passive index tracking and actively managed funds.	Property
Passive UK Equity Fund (CR)	SL iShares UK Equity Index Pension Fund	FTSE Custom All Share Net of Tax Mid-Day	0.31	Passive	Equity
Active UK Equity Fund (CR)	SL Majedie UK Equity Pension Fund	FTSE All-Share Index	1.00	Active	Equity
Passive Global Equity Fund (CR)	SL BlackRock ACS 50:50 Global Equity Tracker Pension Fund	FTSE Custom Composite UK All-Share 50% Dev Europe ex UK 16.7% US 16.7% Japan 8.3% Dev Asia Pacific ex Japan 8.3% Midday Net Tax	0.32	Passive	Equity
Active Global Equity Fund (CR)	SL Veritas Global Focus Pension Fund	MSCI World (with net dividends reinvested) GBP	1.26	Active	Equity
Emerging Market Equity Fund (CR)	SL Schroder Global Emerging Markets Pension Fund	MSCI Emerging Markets Index GBP	1.33	Active	Equity
Responsible Investment Fund (CR)	SL Vanguard SRI Global Stock Pension Fund	FTSE Developed Index	0.32	Passive	Equity

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Fund Name	Underlying funds	Benchmark	Total Expense Ratio* (% p.a.)	Active Management or Index Tracker	Type of Investment
Shariah Fund (CR)	SL HSBC Islamic Global Equity Index Pension Fund	Dow Jones Islamic Titans 100 Index (Total Return)	0.60	Passive	Equity
Global Bond Fund	SL SLI Global Corporate Bond Pension Fund	ABI (Pension) Global Fixed Interest Sector	0.64	Active	Bonds
Passive European Equity Fund (CR)	SL BlackRock ACS Continental European Equity Tracker Pension Fund	FTSE Developed Europe ex UK Index	0.32	Passive	Equity
Passive Japanese Equity Fund (CR)	SL BlackRock ACS Japan Equity Tracker Pension Fund	FTSE Japan Index	0.32	Passive	Equity
Passive Pacific Rim Equity Fund (CR)	SL iShares Pacific ex Japan Equity Index Pension Fund	FTSE World Asia-Pacific ex-Japan Index	0.34	Passive	Equity
Passive US Equity Fund (CR)	SL BlackRock ACS US Equity Tracker Pension Fund	FTSE USA Index	0.31	Passive	Equity

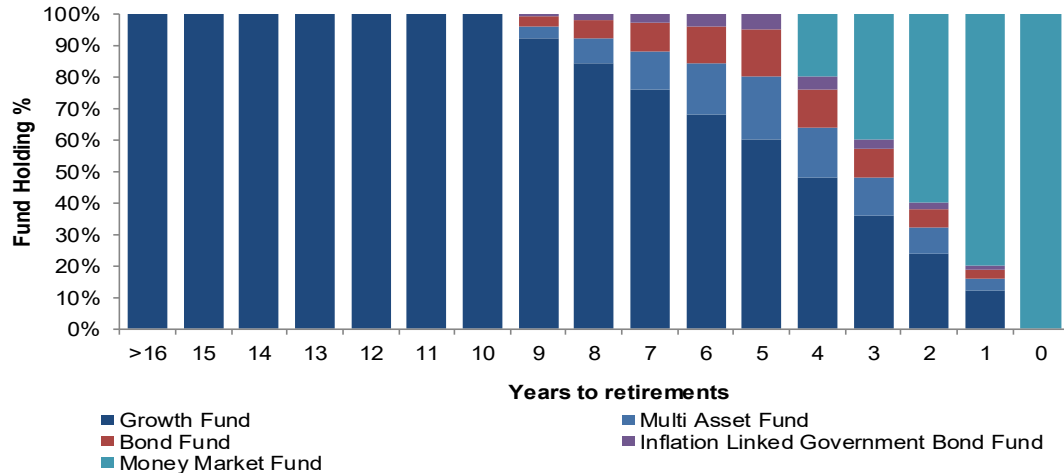
*Total Expense Ratio or TER provided by Standard Life and includes additional costs which are subject to change.

1. The Standard Life Annuity Targeting Pension Fund has a different aim from other investment-linked funds. It is designed for investors approaching retirement and considering purchasing a fixed annuity and aims to reduce the effect of changes in long term interest rates on the value of annuity that can be purchased. The Fund does not report performance against a fixed benchmark. The Scheme's investment adviser monitors the Fund's performance quarterly assessing its correlation with fixed annuity prices.

Appendix 2	2006 Section Lifestyle Profiles
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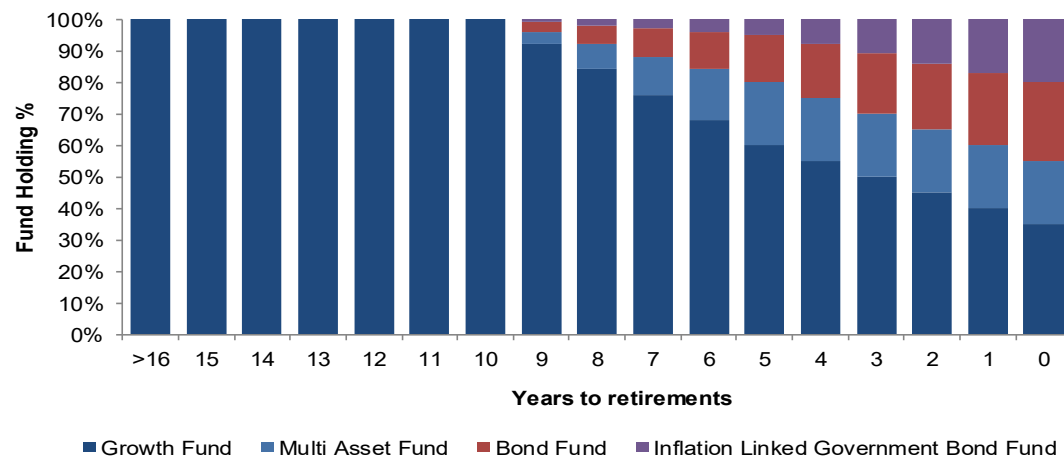
Cash Lifestyle (Default)

Funds	Growth Fund (CR) Multi Asset Fund (CR) Bond Fund (CR) Inflation Linked Government Bond Fund (CR) Money Market Fund (CR)
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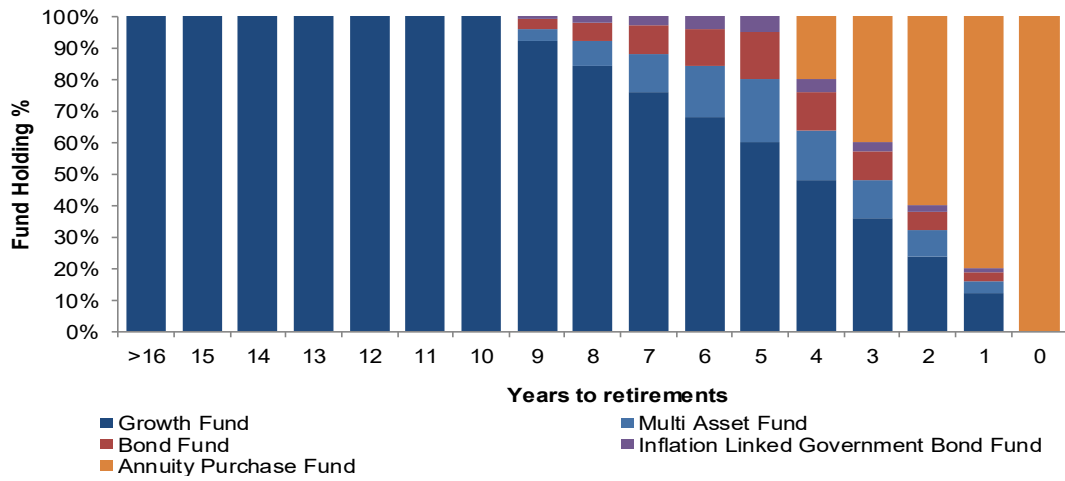
Flexible Lifestyle

Funds	Growth Fund (CR) Multi Asset Fund (CR) Bond Fund (CR) Inflation Linked Government Bond Fund (CR)
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Annuity Lifestyle (Additional default arrangement created as part of the investment strategy changes implemented in March 2019)

Funds	Growth Fund (CR) Multi Asset Fund (CR) Bond Fund (CR) Inflation Linked Government Bond Fund (CR) Annuity Purchase Fund (CR)
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Appendix 3 **2012 Retirement Plan Lifestyle Profiles**

