GOLDMAN SACHS UK RETIREMENT PLAN

CHAIR'S STATEMENT
YEAR ENDED 31 DECEMBER 2020

Annual Governance Statement for the Scheme Year Ending 31 December 2020

Governance requirements apply to defined contribution (DC) pension schemes, to help members achieve a good outcome from their pension savings. The Trustee of the Goldman Sachs UK Retirement Plan ('the Plan') is required to produce a yearly statement (which is signed by the Chair of the Trustee) to describe how these governance requirements have been met in relation to:

- the investment options in which members' funds are invested (this means the "default arrangement" and other funds members can select or have assets in, such as self-select or "legacy" funds),
- the requirements for processing financial transactions,
- the charges and transaction costs borne by members, including an illustration of the cumulative effect of these costs and charges as well as a 'value for members' assessment, and,
- Trustee knowledge and understanding.

This statement covers the Plan year from 1 January 2020 to 31 December 2020.

Default arrangement

A copy of the Plan's latest SIP is available at:

https://www.gspensions.co.uk/static/9e4ba2bf938b7d0f159c8b9c4d8604ad/statement-of-investment-principles.pdf

This SIP covers both the Defined Benefit and Defined Contribution Sections of the Plan and reflects requirements applicable from 1 October 2020. This SIP includes the following items:

i The Trustee's aims and objectives

ii The Trustee's policies in relation to the:

- Kinds of investments to be held,
- Balance between the different kinds of investment,
- Risks, including how these are measured and managed,
- Expected return on investments,
- Realisation of investments,
- Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments, and
- Extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments.

iii The Trustee's policy in relation to the:

- Exercise of the rights (including voting rights) attaching to the investments, and

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- Undertaking of engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters).

iv The Trustee's policy in relation to its arrangement with the Plan's fund manager, setting out the following matters:

- How the arrangement with the fund manager incentivises the fund manager to align its investment strategy and decisions with the Trustee's policies in sub-paragraph (ii) above,
- How that arrangement incentivises the fund manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their medium to long-term performance,
- How the method (and time horizon) of the evaluation of the fund manager's performance and the remuneration for fund management services are in line with the Trustee's policies mentioned in sub-paragraph (ii) above,
- How the Trustee monitors portfolio turnover costs incurred by the fund manager, and how they define and monitor targeted portfolio turnover or turnover range, and
- The duration of the arrangement with the fund manager.

The Plan is not used for automatic-enrolment purposes. During 2017 the Trustee closed the Plan to new members and any further contributions. The majority of the DC members were transferred to a master trust arrangement, however, some members remained in the Plan because they benefit from certain valuable protections in relation to their tax-free lump sum entitlements and retirement ages.

Members of the Plan can be invested in up to five investment strategies/funds, four of which are classified as default arragements following a fund rationalisation exercise in 2018. These four default arrangements are marked (*) in the table below.

Strategy/fund	Aim & objective
Lifecycle strategy (*)	To provide an appropriate investment strategy for those members who didn't make an investment choice on joining the Plan. Investments are initially allocated to equities (Global Equity (UK Bias)). Once the member is 10 years from their selected retirement date assets are progressively switched into bonds (UK Fixed Annuity Target) and cash (Money Market GBP) as retirement approaches.
Passive - Global Equity (UK Bias) (*)	To match the benchmark of the underlying fund (LGIM Global (30:70) Index Fund) as closely as possible.
Active – Money Market GBP (*)	The fund invests in the underlying LGIM Cash fund and seeks to maximise a current income only to the extent that it is consistent with the preservation of capital and the maintenance of liquidity.
Passive – UK Inflation Linked Annuity Target Fund	To match the benchmark of the underlying fund (LGIM Pre-Retirement Inflation Linked Fund) as closely as possible.
Passive – UK Fixed Annuity Target (*)	To match the benchmark of the underlying fund (LGIM Pre-Retirement Inflation Sensitive Fund) as closely as possible.

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The Trustee reviews the net fund performance of the funds against their aims and objectives on a quarterly basis. Further, at least every three years, the overall suitability of the default arrangements is reviewed and the last such review took place in November 2020. This included an analysis of membership demographics and how individuals take benefits at retirement. The main conclusions were as follows:

- The investment funds available provide a suitable choice for members and are performing broadly as expected and are consistent with the aims and objectives as stated above.
- Members who had previously been defaulted into the Global Equity fund, and were expected to purchase an annuity at retirement, would benefit from being reminded of lifecycle strategy option, which aims to manage annuity pricing risk in the approach to retirement.

Financial transactions

A service level agreement (SLA) is in place with Aon (the Plan Administrator) in respect of the core financial transactions. As noted above, the Plan is closed to new contributions and transfers-in, therefore core financial transactions are limited to transfers out, investment switches and payments to members/beneficiaries.

During the Plan year there have been no material administration errors in relation to processing core financial transactions. However, during the Plan year, a historic error by the Plan Administrator came to light in relation to the payment of a death benefit in the previous Plan year, which is being resolved.

The Trustee is satisfied that core financial transactions have been processed promptly and accurately during the Plan year for the following reasons:

- There is robust quarterly reporting from the Plan Administrator which enables the Trustee to spot and resolve any issues. The Plan Administrator attends the quarterly Administration Committee meetings to present their report and the Trustee challenges and questions them as appropriate.
- Quarterly performance against the agreed SLA has generally been 100% with the exception of Q1 2020 when it was 92% due to an increase of remote working at the Plan Administrator.

In addition, in 2020, the Trustee hired a third party to undertake a 'deep dive' audit of the Plan Administrator as part of the Trustee's ongoing monitoring, which included a review of the Plan Administrator's systems, processes, people and controls. As part of this review, several potential process refinements were identified, and the Trustee is working with the Plan Administrator to further increase automation in order to reduce risk and improve the member experience.

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Charges and transaction costs

- The level of Annual Management Charges (AMCs) and estimated transaction costs applicable to each of the four current investment funds over the period 1 January 2020 to 31 December 2020 are below.

Fund name	Estimated transaction cost (%)	Current AMC* (%)	Total %
Passive - Global Equity (UK Bias) ***(L)***	0.000465	0.160	0.1605
Active – Money Market GBP ***(L)***	0.000000	0.120	0.1200
Passive – UK Fixed Annuity Target ***(L)***	0.001549	0.145	0.1465
Passive – UK Inflation Linked Annuity Target	0.001807	0.145	0.1468

(L) *forms part of the default lifecycle strategy* * *Equivalent to Total Expense Ratio*

Illustration of charges and transaction costs

Over a period of time, the charges and transaction costs that are taken out of a member's investment funds can reduce the amount available to the member at retirement. In this section, the Trustee sets out illustrations of the cumulative impact of charges and transaction costs on different investment options in the Plan. These illustrations have been prepared in accordance with the DWP's statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes" on the projection of an example member's pension savings. In accordance with this guidance, the Trustee has provided illustrations that cover:

- The fund with the highest expected return (before charges) – this is the Passive Global Equity (UK Bias)
- The fund with the lowest expected return (before charges) – this is the Passive UK Inflation Linked Annuity Target
- The fund with the highest annual member borne costs – this is also the Passive UK Inflation Linked Annuity Target
- The fund with lowest annual member borne costs – this is the Active – Money Market GBP
- The fund in which most members are invested – this is the Passive - Global Equity (UK Bias)

As each member has a different amount of savings within the Plan and the amount of any future investment returns, together with future costs and charges, cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be. These assumptions are explained beneath the table of illustrations.

The "before charges" figures represent the value of projected savings assuming an investment return with no deduction of member borne charges or transaction costs. The "after charges" figures represent the value of projected savings using the same assumed investment return but after deducting member borne charges and average transaction costs over time.

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Example Member	Years to retirement	Passive - Global Equity (UK Bias)		Passive - UK Inflation Linked Annuity Target		Active – Money Market GBP	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Youngest							
Age: 37 Initial fund value: £32,000	0	£32,000	£32,000	£32,000	£32,000	£32,000	£32,000
	1	£33,100	£33,100	£31,200	£31,100	£31,300	£31,300
	3	£35,500	£35,300	£29,700	£29,500	£29,900	£29,800
	5	£38,000	£37,700	£28,200	£27,900	£28,600	£28,400
	10	£45,100	£44,400	£24,800	£24,400	£25,600	£25,300
	15	£53,600	£52,300	£21,900	£21,300	£22,900	£22,500
	20	£63,700	£61,500	£19,300	£18,600	£20,500	£19,900
	23	£70,600	£67,900	£17,900	£17,200	£19,200	£18,600
Median							
Age: 50 Initial fund value: £80,000	0	£80,000	£80,000	£80,000	£80,000	£80,000	£80,000
	1	£82,800	£82,700	£78,000	£77,900	£78,200	£78,100
	3	£88,700	£88,200	£74,100	£73,700	£74,800	£74,500
	5	£95,000	£94,200	£70,500	£69,900	£71,600	£71,100
	10	£112,800	£110,900	£62,100	£61,000	£64,000	£63,200

Assumptions

i *Projected pension account values are shown in today's terms using assumed inflation of 2.5% each year.*
ii *Projections are calculated up to the age of 60, which is a typically chosen retirement age by Plan members.*
iii *No additional contributions assumed.*
iv *Transactions costs provided by Phoenix Life have been averaged over the three year period 1 January 2018 to 31 December 2020. Other charges are as shown previously in this statement.*
v *The real projected growth rates for each fund are as follows:*
- *Passive - Global Equity (UK Bias): 3.5%*
- *Passive - UK Inflation Linked Annuity Target: -2.5%*
- *Active – Money Market GBP: -2.2%*

Value for members

The Trustee is required to assess each year the extent to which member borne charges and transaction costs represent good value for members. There is no precise legal definition of "good value", but in-line with the Pensions Regulator's guidance, the Trustee considers what members of the Plan receive in exchange for the charges they pay; while recognising that value for members does not necessarily mean the lowest fee.

The date of the last assessment was May 2021 (in respect of Plan year covered by this statement) and covered four key areas of membership, notably Governance, Administration, Investment and Communications.

In this assessment, the Trustee considered both the quality of those aspects of the Plan that members pay for, plus the broader benefits members receive without charge. Further, the Trustee recognises that members who remain in the Plan all benefit from valuable protections such as Scheme Specific Lump Sum Protection or Protected Retirement Ages. The assessment concluded that members are receiving 'High' value in all four key areas, with the table below providing a summary of the main conclusions:

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Plan area	Summary of assessment findings	Overall Value
Governance	• Plan members benefit from the Trustee's ongoing governance framework for which members do not pay. • There is an annual fact-find that compares the Trustee's governance activity with the Pensions Regulator's requirements.	**High**
Administration	• Members do not pay for administration. • The Trustee undertook a 'deep dive' audit of administration processes during the year as part of its ongoing governance processes. • The Trustee is satisfied that core financial transactions were undertaken promptly and accurately during the Plan year.	**High**
Investment	• The Trustee recently undertook a triennial review of Plan's investment funds. Further, the Trustee reviews fund performance on a quarterly basis. • Overall, the Trustee is satisfied that funds are performing in-line with their aims and objectives. • The annual management charges paid by members are competitive compared to similar schemes. • Transaction costs are below market averages.	**High**
Communications	• Members have access to an online portal where they can review fund values, performance and model retirement outcomes. • Members do not pay for communications.	**High**

In conclusion, in return for the charges they pay, the Trustee believes that members of the Plan are receiving 'High' value, particularly when taking into account the wider benefits of membership for which members do not pay, including the protections noted earlier in relation to their tax-free lump sum entitlements and retirement ages.

Trustees' knowledge and understanding (TKU)

The Trustee Directors' combined knowledge and understanding, together with advice available to them, enables them properly to exercise their functions.

In terms of TKU, the Trustee Directors are satisfied that they have met their knowledge and understanding duties during the Plan year. At each quarterly Trustee meeting in 2020 there was a specific training item on the agenda; as guided by a TKU gap assessment undertaken at the end of the previous year. In addition, there were presentations by advisers on relevant matters to further increase the Trustee Directors' knowledge and understanding. For example, during 2020, the following occurred:

- A training session by the Plan's investment adviser at the Quarter 1 meeting
- A review of administration governance at the Quarter 2 meeting
- Training on Trustee powers at the Quarter 3 meeting
- A presentation detailing the review of the default investment strategy at the Quarter 4 meeting
- An annual self-assessment of skills to identify any knowledge gaps at the Quarter 4 meeting

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Training is recorded in a training log in respect of each Trustee Director. Further, the Trustee has a TKU policy in place which has an induction process for new Trustee Directors and policy regarding ongoing learning.

One new Trustee Director was inducted during 2020 and completed the Pensions Regulator's 'trustee toolkit', in-line with the existing Trustee Directors. As a consequence, the Trustee Directors consider that they have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties.

In addition to the above, the Trustees are familiar with the Plan's governing documentation, including the September 2020 SIP and the Trust Deed & Rules. In particular, the Trustee refers to the Trust Deed and Rules as part of considering and deciding whether to make any changes to the Plan and, where relevant, deciding individual member cases.

Overall, taking into account the knowledge and experience of the Trustee Directors with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (e.g. investment consultants, legal advisors), the Trustee Directors believe they are well placed to exercise their functions as Trustees of the Plan properly and effectively.

Approval

The Chair's Statement was approved by the Trustee and signed on its behalf by:

Chair of Trustee Stephen Davies

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Stephen Davies
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Date: 30/6/2021

STATEMENT OF INVESTMENT PRINCIPLES
YEAR ENDED 31 DECEMBER 2020

1 Introduction

Pensions Act

1.1 Under the Pensions Act 1995, subsequently amended by the Pensions Act 2004 (the "Pensions Act"), trustees are required to prepare a statement of the principles (the "statement" or "SIP") governing investment decisions. This document contains that statement and describes the investment policy pursued by the Trustee of the Goldman Sachs UK Retirement Plan (the "Plan"). This statement of investment principles covers the Defined Benefit Section (the "DB section") as the main section of the Plan. The statement in respect of the legacy Defined Contribution Section (the "DC section") is included in Appendix B of this document.

1.2 The DB section's benefits are provided on a final salary (defined benefit) basis and the DC section's benefits are provided on a money purchase (defined contribution) basis for individual Plan members. The Plan's assets are held under the legal control of the Plan's Trustees ("the Trustee") under a trust constituted between Goldman Sachs International ("the Firm") and the Trustee.

1.3 Before finalising this document, the Trustee has consulted the Firm and will do so prior to any change to the statement. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

1.4 Before preparing this document, the Trustee has also sought advice from a duly appointed professional investment consultant, Towers Watson Limited (the "Investment Consultant").

1.5 Before preparing this document the Trustee has had regard to the requirements of the Pensions Act and subsequent regulations and the Trustee will consider those requirements on any review of this document or any change in their investment policy. The Trustee will refer to this document where necessary to ensure that they exercise their powers of investment so as to give effect to the principles set out in it as far as is reasonable.

Financial Services and Markets Act 2000

1.6 In accordance with the Financial Services and Markets Act 2000, the Trustee will set the general investment framework, but will generally delegate the responsibility for selection of specific investments to appointed Investment Managers. The Investment Managers shall provide the skill and expertise necessary to manage the investments of the Plan competently. The Trustee will maintain an Investment Management Agreement with each manager, setting out in detail the terms on which the assets are managed.

1.7 The Trustee will review this document at least once a year, or without delay after any significant change in investment policy.

STATEMENT OF INVESTMENT PRINCIPLES
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2 Division of Responsibilities

The Trustee

2.1 The Trustee has ultimate responsibility for decision-making on investment matters. In order to ensure that investment decisions are taken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some of these responsibilities.

2.2 The Trustee have put in place an investment governance structure that utilises fiduciary management. The detailed responsibilities of each party are provided below. The Trustee owns and determines the Plan’s high-level investment strategy. For the majority of the Plan’s assets the Trustee has delegated the determination of the Plan’s asset allocation and the appointment and termination of underlying investment managers to two Fiduciary Managers (the Fiduciary Strategy Manager and Fiduciary Implementation Manager). The Trustee is assisted in monitoring its investments and its Fiduciary Managers by a Fiduciary Manager Oversight Consultant.

2.3 For certain assets which make up a minority of the Plan’s assets the Trustee retains direct responsibility for appointing (and dismissing) Investment Managers and is advised by the Investment Consultant.

2.4 The Trustee is responsible for appointing (and dismissing) Investment Consultants, certain Investment Managers, the Administrator, the Plan Actuary, the Fiduciary Strategy Manager, the Fiduciary Implementation Manager and the Fiduciary Manager Oversight Consultant.

Finance and Investment Committee (“FIC”)

2.5 The Trustee has established the FIC which provides advice to the Trustee on investment-related issues within the guidelines set out under the SIP. Although primarily advisory, the Trustee has delegated some decisions as set out in the Terms of References of the FIC. The FIC itself is advised by the appointed Investment Consultant and the Fiduciary Manager Oversight Consultant. The appointed Fiduciary Strategy Manager and Fiduciary Implementation Manager will participate and input into discussions as appropriate.

Investment Consultant

2.6 The Investment Consultant's responsibilities in relation to the DB Section of the Plan includes advising the Trustee and the FIC on the SIP, the high level investment strategy, and the appointment (and dismissal) and monitoring of Investment Managers for those assets outside the remit of the Fiduciary Implementation Manager and Fiduciary Strategy Manager.

Investment Managers

2.7 The responsibility for all day-to-day investment decisions is delegated to the Investment Managers, acting at their discretion, but within any guidelines given by the FIC and approved by the Trustee for those assets where the Trustee directly appoints the Investment Manager and through the Fiduciary Implementation Manager and Fiduciary Strategy Manager in respect of all other assets.

2.8 In accordance with the Financial Services and Markets Act 2000, the selection of specific investments will be delegated to Investment Managers. The Investment Managers will provide the skill and expertise necessary to manage the investments of the Plan competently.

2.9 The Trustee, Fiduciary Strategy Manager and Fiduciary Implementation Manager are not involved in the Investment Managers’ day-to-day method of operation and do not directly seek to influence attainment of their performance targets. The Trustee, Fiduciary Strategy Manager and Fiduciary Implementation Manager will maintain processes to ensure that performance and risk are assessed on a regular basis against measurable objectives for each Investment Manager, consistent with the achievement of the Plan's long-term objectives.

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Administrator

2.10 The administration of the DB section is managed by the Trustee.

Plan Actuary

2.11 The Plan Actuary's responsibilities include advising the Trustee and the FIC on the interaction between the Plan's investment strategy and the funding of the Plan given the financial characteristics of the Plan's liabilities and the Trustee's assessment of the employer covenant provided by the Firm, as well as performing the triennial (or more frequent as required) actuarial valuations as required by the relevant regulations and advising on the appropriate contribution levels.

Fiduciary Strategy Manager

2.12 The Fiduciary Strategy Manager's responsibilities are in relation to the DB Section of the Plan. The Fiduciary Strategy Manager has discretion to manage the Plan's strategic asset allocation and the Plan's risk overlays, with the objective of maximising the probability of achieving the Scheme's investment objective set by the Trustee. The Fiduciary Strategy Manager's discretion is subject to guidelines set by the Trustee.

Fiduciary Implementation Manager

2.13 The Fiduciary Implementation Manager's responsibilities are in relation to the DB Section of the Plan. The primary responsibility of the Fiduciary Implementation Manager is to manage the Plan's assets on a discretionary basis against the strategic asset allocation that has been set by the Fiduciary Strategy Manager, with the aim of outperforming the strategic asset allocation for a given level of investment risk. It is also responsible for the selection, de-selection and ongoing management of the relationship with the Investment Managers.

2.14 The Trustee considers the Fiduciary Implementation Manager's performance in carrying out these responsibilities as part of its ongoing oversight of the Fiduciary Implementation Manager. The Trustee expects the Fiduciary Implementation Manager to ensure that the portfolio, in aggregate, is consistent with the policies set out in this statement, those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). Where relevant to the mandate, the Trustee expects the Fiduciary Implementation Manager to:

- ensure that the investment objectives and guidelines of any pooled vehicle are consistent with the Trustee's policies;
- use its discretion, where appropriate, to set explicit guidelines within the Investment Management Agreement for segregated investments to ensure consistency with the Trustee's policies.

2.15 The Fiduciary Implementation Manager's discretion is subject to guidelines set by the Trustee. The Fiduciary Implementation Manager will also assist the Plan in reporting performance of the Plan's assets.

Fiduciary Manager Oversight Consultant

2.16 The Fiduciary Manager Oversight Consultant's responsibilities include monitoring the performance of the Fiduciary Strategy Manager and Fiduciary Implementation Manager and advising on their ongoing performance and suitability.

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3 Objectives and Long-term Policy

Objectives

3.1 The Trustee's Defined Benefit Section investment objectives are as follows:

- to maintain an asset portfolio of appropriate liquidity which will generate income and capital growth to meet, together with potentially new contributions from the Firm, the cost of current and future benefits which the Plan provides;
- to manage the risk of the assets failing to meet the liabilities over the long term, in particular in relation to the Plan Specific Funding Requirements ("PSF");
- to control the long-term costs of the Plan (paid by the Firm) by having regard to the expected return on the assets whilst also having regard to the other objectives;
- to use derivatives only for reduction of risks or facilitating efficient portfolio management (including the reduction of cost or the generation of additional capital or income with an acceptable level of risk);
- to invest mainly in assets traded on regulated markets and to restrict other assets to a prudent level.

Policy

3.2 The Trustee's policy is to seek to achieve their objectives through investing in a diversified mixture of return seeking and liability matching assets. The Trustee recognises that the returns on equities, while expected to be greater over the long term than those on bonds, are likely to be more volatile. Appropriate diversification across asset classes should help provide the level of returns required by the Plan to meet its liabilities at an acceptable level of risk for the Trustee and the Firm, and an acceptable level of cost to the Firm.

3.3 The Trustee intends to monitor and manage the asset allocation in-line with a "journey planning" approach. This approach is expected to involve maintaining broadly the current level of investment risk provided the covenant remains strong and the Plan remains broadly on its projected journey plan, and it is expected to involve de-risking the Plan's assets as the funding position improves over time. The Trustee, on advice of the FIC and in discussion with the Firm, will revisit the appropriateness of the journey plan and investment objectives from time to time (typically in-line with or after each Actuarial Valuation).

Investment Strategy

3.4 The Trustee will invest in the best interests of the Plan's members and follow an investment strategy which enhances the security, quality, liquidity and profitability of the portfolio.

3.5 The Trustee receives advice to determine an appropriate investment strategy for the Plan. The Trustee has a desire to diversify risk exposures and to manage its investments effectively.

3.5.1 The investment strategy may make use of three key types of investments as considered appropriate at various stages of the journey plan:

- a range of instruments that provide a broad match to changes in liability values;
- a portfolio of secure income assets; and
- a diversified portfolio of return-seeking assets.

3.5.2 The Plan will hold assets in cash and other money market instruments from time to time as may be deemed appropriate.

3.5.3 The Trustee appointed a Fiduciary Implementation Manager and Fiduciary Strategy Manager to manage the Plan's DB assets on a discretionary basis for the Trustee. The balance within and between these investments will be determined from time-to-time at the discretion of the Fiduciary Implementation Manager and Fiduciary Strategy Manager, with the objective of generating the investment returns required to maximise the probability of achieving the Plan's investment objective set by the Trustee, subject to an acceptable level of risk. The discretion of the Fiduciary Implementation Manager and Fiduciary Strategy Manager are each subject to guidelines set by the Trustee within their respective Fiduciary Management Agreements (the "Agreements") with the Trustee dated 13 May 2020. The Fiduciary Implementation Manager and Fiduciary Strategy Manager consider the Agreements, the guidelines and the Trustee's policies set out within this statement when carrying out their roles and responsibilities, which ensures appropriate incentivisation and alignment of decision-making with the Trustee's overall objectives, strategy and policies.

3.5.4 The Trustee will monitor the liability profile of the Plan and will regularly review, in conjunction with the Fiduciary Strategy Manager, Fiduciary Implementation Manager and the Plan Actuary, the appropriateness of its investment strategy in relation to the nature and duration of the Plan's liabilities.

3.5.5 The expected return of an investment will be monitored regularly and will be directly related to the Plan's investment objective.

3.5.6 The Trustee's policy is that there will be sufficient investments in liquid or readily realisable assets to meet cash flow requirements in foreseeable circumstances so that the realisation of assets will not disrupt the Plan's overall investments, where possible.

Sustainable investments and stewardship

3.6 The Trustee has prepared a Sustainable Investment policy for the Plan dated July 2020, with guidance from the Fiduciary Strategy Manager. The aim of the policy is to set out the Trustee's beliefs around sustainable investing, provide a framework to help with the implementation of the Trustee's investment strategy by the Fiduciary Implementation Manager, and provide a basis on which to monitor the sustainability of the Plan.

3.7 The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Plan's Investment Managers, the majority of which are overseen by the Fiduciary Implementation Manager. The Trustee has also delegated responsibility for the exercising of rights (including voting rights) attaching to investments to the Investment Managers. However, the Trustee and Fiduciary Implementation Manager recognise that an investment's long-term financial success is influenced by a range of financially material factors including environmental, social and governance (ESG) issues.

3.8 Consequently, the Trustee (through the selection of the Fiduciary Implementation Manager and its associated approach to environmental, social and governance issues) seeks to be an active long-term investor. The Trustee's focus is explicitly on financially material factors. The Trustee's policy currently is not to consider non-financial matters. The Fiduciary Implementation Manager considers a range of sustainable investment factors, such as, but not limited to, those arising from ESG considerations, including climate change, in the context of a broader risk management framework. The degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures which the Fiduciary Implementation Manager considers in the assessment.

3.9 The Trustee expects the Fiduciary Implementation Manager to appoint Investment Managers with effective stewardship, both through voting and engagement, on relevant matters such as the capital structure of investee companies, actual and potential conflicts of interest, other stakeholders and the ESG impact of underlying holdings.

3.10 The Trustee expects the Fiduciary Implementation Manager to appoint Investment Managers with an expectation of a long-term partnership, which encourages active ownership of the Plan's assets.

3.11 The consideration of ESG issues is fully embedded in the Investment Manager selection and portfolio management process, with oversight undertaken on an ongoing basis. Whilst noting there may be limitations for each Investment Manager and asset strategy, the Fiduciary Manager expects Investment Managers to have ESG processes that align with the investment risk and return characteristics of the strategy.

Alignment with Investment Managers

3.12 Alignment between an Investment Manager's management of the portfolio and the Trustee's policies and objectives are a fundamental part of the appointment process of a new Investment Manager.

3.13 To maintain alignment, the Plan's Fiduciary Implementation Manager is provided with the most recent version of the Plan's Statement of Investment Principles and the Trustee's policy on sustainable investment on an annual basis and is required to explicitly confirm that the Plan's assets are managed in line with the Trustee's policies as outlined in these documents.

3.14 For most of the Plan's investments, the Trustee expects the Fiduciary Implementation Manager to appoint Investment Managers with a medium to long time horizon, consistent with the Plan's time horizon.

3.15 In particular areas such as equity and credit, the Trustee expects the Fiduciary Implementation Manager to work with Investment Managers who will use their engagement activity to drive improved performance over medium to long term periods within the wider context of long-term sustainable investment.

3.16 The Trustee notes that the Fiduciary Strategy Manager may allocate to, or the Fiduciary Implementation Manager may invest, in certain strategies, for example derivative based alternative risk premia strategies, where such engagement is not appropriate or practical, due to the nature of the investment. The Trustee expects that the size and appropriateness of the Plan's allocation to such mandates to be consistent with the Plan's overall objectives.

3.17 Investment Managers are generally paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. The Trustee expects the Fiduciary Implementation Manager to consider the fee structures of Investment Managers and the alignment of interests created by these fee structures as part of its investment decision making process, both on the appointment of an Investment Manager and on an ongoing basis.

3.18 The Trustee expects the Fiduciary Implementation Manager to review and report on the costs incurred in managing the Plan's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual Investment Manager level, the Trustee expects the Fiduciary Implementation Manager to have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

3.19 Should the monitoring process reveal that an Investment Manager's portfolio is not aligned with the Trustee's policies, the Trustee expects the Fiduciary Implementation Manager to engage with the Investment Manager further to encourage alignment. This monitoring process should include specific consideration of the sustainable/investment ESG characteristics of the portfolio and the Investment Managers' engagement activities. If, following engagement, it is the view of the Fiduciary Implementation Manager that the degree of alignment remains unsatisfactory, the Investment Manager may be terminated and replaced.

3.20 When assessing an Investment Manager's performance, the Trustee expects the Fiduciary Implementation Manager to focus on longer-term outcomes, commensurate with the Trustee's position as a long-term investor. Consistent with this view, the Trustee does not expect that the Fiduciary Implementation Manager would terminate an Investment Manager's appointment based purely on short-term performance but recognises that an Investment Manager may be terminated within a short timeframe due to other factors such as a significant change in business structure or the investment team. The Trustee adopts the same long-term focus as part of its ongoing oversight of the Fiduciary Strategy Manager and Fiduciary Implementation Manager.

4 Risk Measurement and Management

4.1 The Trustee recognises, measures and manages a number of risks involved in the investment of the assets of the Plan, including but not limited to:

- *Solvency risk and mismatching risk* – includes the risk that the Plan's assets are insufficient, or inappropriate, to meet its liabilities. These risks are measured through a qualitative and quantitative assessment of the expected development of the liabilities, relative to the current investment policy and selected alternatives to it, and are managed through assessing the progress of the actual growth of the liabilities relative to the current investment policy.
- *Manager risk* – includes the risk that poor performance by one or more individual Investment Managers has a significant negative impact on the Plan's investments. It is measured by the expected deviation of the prospective risk and return, relative to the investment policy and is managed by monitoring the actual deviation of returns relative to the objective and factors supporting the Investment Manager(s)' investment process.
- *Liquidity risk* – includes the risk that the Plan is forced to sell investments in poor markets to fund pension and other payments. It is measured by the level of cashflow required by the Plan over a specified period and is managed by the Pension Department assessing the appropriateness of the level of cash held in the light of the forecast level of payments.
- *Currency risk* – arises when investment returns arise in non-Sterling currencies, given that the Plan's liabilities are Sterling denominated. It is measured by the Plan's total exposure to overseas currencies at a point in time. The Plan can mitigate this risk by hedging some of its exposure either by investing in hedged share classes or by employing a specialist manager to manage a currency overlay.
- *Market risk* – the risk that the fair value of financial instruments will fluctuate due to changes in market conditions such as interest rates, inflation, currency fluctuation and equity prices. The Plan's LDI manager monitors the position of the Plan's liability hedging assets against the liabilities on a daily basis and can make adjustments as required. This is reported to the Trustee on a monthly basis. The Trustee monitors the value of the Plan's assets and market conditions on a regular basis to monitor this risk.
- *Counterparty risk* – the risk that a party to a contract (usually a derivatives contract) will not meet their obligation when due. Counterparty risk is also known as default risk. It is mitigated through a combination of appropriate daily margining of exposure, monitoring major counterparty exposures and employing Investment Managers who are responsible for monitoring and diversifying counterparty exposure.
- *Regulatory risk* – the risk of changes in laws or regulations that may impact the Plan and the management of the Plan's assets. The Plan receives periodic advice on regulatory issues and changes from the Plan Actuary, the Investment Consultant and its Lawyer in order to mitigate this risk

- *Political risk* – includes the risk that a political event could have a significant adverse impact on the value of the Plan's investments. It is measured by the proportion of the Plan's total investments that are concentrated in one market and is managed by regular reviews of the actual investments of each Investment Manager relative to its mandate and through periodic assessment of the levels of diversification of the investment portfolio as a whole.
- *Covenant risk* – includes the risk that the Firm as the Plan's sponsor cannot, or will not, make good a current or future deficit of the Plan. It is measured by the Firm's ability, and willingness, to support the continuation of the Plan and to make good any current or future deficit, and is managed by assessing the financial strength of the Firm's business (including the impact on it of the needs of the Plan), as measured by a number of factors, including the credit ratings and ratios of the Firm and several credit metrics that compare the size of the Plan's pension liability to the financial strength of the Firm.

4.2 The Trustee is cognisant of the specific risks from having additional economic exposures to the wider Goldman Sachs group of companies. The Trustee has the following risk guidelines in addition to the statutory limits on employer-related investments regarding such exposures:

4.2.1 The overall exposure of the Plan to portfolios directly managed by entities within the wider Goldman Sachs group of companies should be limited to be below 50% of assets subject to the exceptions detailed in 4.2.2 and the circumstances described in 4.2.4.

4.2.2 GSAM direct investment management of non cash like assets - the overall exposure of the Plan to portfolios directly managed by Goldman Sachs Asset Management (GSAM) should be limited to be below 20% of total Plan assets. For the avoidance of doubt the above limit excludes management of cash, liquidity funds and fund of funds (that comprise solely of externally managed underlying investment funds or mandates) by GSAM. For clarity this limit excludes its Fiduciary Implementation Management role or as a fund of fund manager but includes direct investment management mandates including where access to these mandates is through a fund of fund. A direct investment management mandate is management of individual holdings such as a specific equity or bond holding.

4.2.3 Other Goldman Sachs Group divisions including the Merchant Banking Division direct investment management - the overall exposure of the Plan to portfolios directly managed by the Goldman Sachs group of companies other than GSAM should be limited to be below 10% of total Plan assets.

4.2.4 GSAM direct investment management of cash like assets – the overall exposure of the Plan to cash and liquidity fund portfolios directly managed by GSAM should be limited such that the total exposure of the Plan to both cash and non cash like asset portfolios directly managed by entities within the wider Goldman Sachs group of companies is below 50% of assets. The Trustee recognises that the exposure can increase above the limit as a result of market movements. The Trustee has agreed a pragmatic timeframe for GSAM to sensibly manage the assets back to below the limit. In these circumstances the Trustees have agreed an additional operating range that will allow GSAM to continue to take action in order to manage the portfolio efficiently.

4.2.5 Counterparty risk to the Goldman Sachs Group - the overall exposure to the Firm as a derivative counterparty should be monitored and managed. All derivatives exposures with the wider Goldman Sachs group of companies should be collateralised or margined. The Trustee acknowledges that measuring counterparty risk across different derivative products is difficult but that the largest and longest maturity derivative exposures arise with the interest rate swaps and inflation swaps within the liability hedging portfolio. The focus of the following counterparty limit is on that portfolio where Goldman Sachs International (GSI) is a counterparty. The primary economic risk of these swap counterparty exposures with GSI is the costs incurred in having to rapidly replace these interest rate and inflation swaps if that was deemed necessary. The Trustee's goal is that over the next 3 to 5 years this swap counterparty exposure to GSI should be reduced such that the estimated cost of being forced to rapidly replace this exposure due to the failure of GSI or some other reason is below 5% of the Plan's liabilities valued on the SONIA + 80bp basis. For clarity, swaps traded with GSI that are then subsequently centrally cleared do not contribute to the calculated counterparty exposure with GSI.

4.3 The Trustee/FIC continue to monitor these risks, with the assistance of their advisors (including the Investment Consultant, Fiduciary Managers and Investment Managers) and any other risks that may arise and may add to this list any new significant risk categories.

4.4 These measures do not render the investment policy free of risk. Rather, the measures endeavour to balance the need for risk management and the need to allow the Investment Managers sufficient flexibility to manage the assets in such a way as to achieve the required performance target.

STATEMENT OF INVESTMENT PRINCIPLES
YEAR ENDED 31 DECEMBER 2020

B. Defined Contribution Section

Background

B.1 The Plan's Defined Contribution Section is a legacy arrangement with a relatively small population of members that were not transferred to the Firm's primary Master Trust Defined Contribution provider. The Section is not open to new members and currently offers 4 investment funds that provide a suitable range of investment options.

Division of Responsibilities

Trustee

A.2 The Trustee has ultimate responsibility for decision-making on investment matters. In order to ensure that investment decisions are taken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some of these responsibilities.

A.3 For the DC Section the Trustee retains direct responsibility for investment matters such as establishing appropriate governance arrangements, investment performance monitoring and determining the default investment strategy. The Trustee is also responsible for appointing (and dismissing) the Investment Consultant, Investment Managers, Platform Provider, Administrator and Plan Actuary.

Finance and Investment Committee ("FIC")

A.4 The Trustee has established the FIC which provides advice to the Trustee on investment-related issues within the guidelines set out under the SIP. Although primarily advisory, the Trustee has delegated some decisions as set out in the Terms of References of the FIC. In respect of the DC Section the FIC itself is advised by the Investment Consultant.

Investment Consultant

A.5 The Investment Consultant's responsibilities in relation to the DC Section of the Plan include assisting the Trustee and the FIC in the revision of the SIP and investment strategy, and appointing and monitoring Investment Managers. The Investment Consultant is also responsible for providing regular written advice on retained DC investments.

Platform Provider

A.6 The Trustee provides members of the DC Section with a range of investment options via a platform offered by the Platform Provider. The Platform Provider is responsible for ensuring that the underlying funds are correctly priced, providing appropriate reporting to the Trustee, providing fund factsheets to members and reviewing the continued structural suitability of the underlying funds. The Trustee will monitor the performance of the Platform Provider against an agreed Service Level Agreement.

Investment Managers

A.7 The responsibility for all day-to-day investment decisions is delegated to the Investment Managers, acting at their discretion, but within any guidelines given by the FIC and approved by the Trustee.

A.8 In accordance with the Financial Services and Markets Act 2000, the selection of specific investments will be delegated to Investment Managers. The Investment Managers will provide the skill and expertise necessary to manage the investments of the Plan competently.

A.9 The Trustee are not involved in the Investment Managers' day-to-day method of operation and do not directly seek to influence attainment of their performance targets.

STATEMENT OF INVESTMENT PRINCIPLES
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Administrator

A.10 The administration of the DC sections is managed by the Trustee. The administrator of the DC Section will be responsible for instructing the Platform Provider of fund switches, and disinvestments on transfer, retirement and death, as well as provision of service performance and membership statistics.

Objectives

A.11 The main investment objectives of the Defined Contribution Section of the Plan are:

- to provide members with a suitable range of investment options to meet various risk/return expectations, in order to provide a fund at retirement with which to purchase a pension annuity, take as a cash lump sum or transfer to a post retirement investment arrangement in line with a member's reasonable expectations;
- to ensure the individual fund options are suitably invested and managed to maximise the return commensurate with an acceptable level of risk;
- to provide members with a suitable range of investment options designed to give members the freedom to structure his/her own investment policy to suit his/her individual risk, return, liquidity and funding requirements.

Policy

A.12 The Trustee invests contributions in accordance with the Plan's rules. The Trustee will invest in the best interest of the Plan's members and follow an investment strategy which enhances the security, quality, liquidity and profitability of the portfolio. The Trustee will invest mainly in assets traded on regulated markets and restrict other assets to a prudent level, and the use derivatives (where applicable) will only be for reduction of risks or facilitating efficient portfolio management.

A.13 A list and description of the funds which are currently offered are set out in the "Investment management arrangements" section below. The options offered invest in specialist pooled funds investing in specific asset classes and as such generally have a minimum of 90% invested in the relevant asset class with the balance invested in cash or cash equivalents.

A.14 As the DC section only invests via pooled investment funds, the Trustee will ensure the investment objectives and guidelines of the fund are consistent with its own policies and objectives (as relevant to the investment fund in question).

A.15 When assessing an Investment Manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate an Investment Manager's appointment based purely on short-term performance. However, an Investment Manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

A.16 The Trustee reviews the costs incurred in managing the Plan's assets on a regular basis, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual Investment Manager level, the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that type of fund.

Diversification

A.17 The funds offered are invested in specific asset classes. The majority of the options invest in passive index-tracking funds and, in these circumstances, the assets are deemed to be adequately diversified within the relevant asset class.

Suitability

A.18 Advice has been taken from the Investment Consultant to ensure that the range of funds made available to members, and the benchmarks for each fund, are suitable for the Plan.

Liquidity

A.19 The members' accounts are held in funds which can generally be realised readily to provide pension benefits on retirement, or earlier on transfer to another pension arrangement.

A.20 Neither the Investment Managers nor the Trustee will borrow money or act as a guarantor for the purpose of providing liquidity (unless it is a temporary measure to expedite standard settlement periods).

Sustainable investments and stewardship

A.21 The Trustee, in consultation with the Investment Consultant, consider Environmental, Social and Governance (ESG) risks and opportunities, including climate change and stewardship, as financially material over the long-term and relevant to the Plan's investment strategy. The Trustee considers these issues as part of their broader risk management processes, when reviewing the Plan's investment strategy. The Trustee's policy currently is not to consider non-financial matters.

A.22 The Trustee delegates day-to-day investment decisions including integration of financially material ESG risks and opportunities (including climate change) to the Investment Managers (as appropriate to the investment approach of the managers). The Trustee also delegates responsibility for exercising ownership rights (including voting rights and engagement activities) to the Investment Managers.

A.23 When selecting new Investment Managers, the Trustee, together with the Investment Consultant, will consider the approach taken by Investment Managers with respect to sustainable investing, including their approach to ESG integration and stewardship. ESG factors are not currently integrated into the majority of the Plan's exposure to equities and bonds, which is primarily invested on a passive basis in line with broad market indices in the default and alternative lifestyle options.

A.24 The Trustee expects the Plan's Investment Managers to have effective stewardship, both through voting and engagement, on relevant matters such as the capital structure of investee companies, actual and potential conflicts of interest, other stakeholders and the ESG impact of underlying holdings.

Default option

A.25 The DC Section offers a default investment option. Whilst the Trustee recognises that no one option will be suitable for all members, they have made the decision to make available one "lifecycle" strategy where members' investments are initially allocated to equities and are progressively switched into bonds and cash as retirement approaches. The lifecycle strategy is set out below:

	Name of fund		
Age next Birthday	**Passive – Global Equity %**	**Passive – UK Fixed Annuity Target %**	**Active – Money Market GBP %**
55 or less	100.0	0.0	0.0
56	90.0	10.0	0.0
57	80.0	20.0	0.0
58	70.0	30.0	0.0
59	60.0	40.0	0.0
60	50.0	50.0	0.0
61	40.0	60.0	0.0
62	30.0	70.0	0.0
63	20.0	72.0	8.0
64	10.0	74.0	16.0
65	0.0	75.0	25.0

The Trustee recognises some of the investment funds are also classified as default arrangements due to investment changes made in 2018; these funds are subject to the policies outlined in this statement.

A.26 The Trustee believes that the objectives and investment policy of the default arrangements ensures that the assets are invested in members' best interests. While the Trustee recognises the need for a default option, they believe that members should be encouraged to review their personal circumstances from time to time and to make positive selection(s) rather than to rely on the default option.

Risk measurement and management

A.27 The Trustee/FIC recognise that, in a defined contribution arrangement, members assume the investment risks. The Trustee/FIC further recognise that members are exposed to different types of risk at different stages of their working lifetimes. These risks can be broadly defined as follows:

- ***Inflation risk*** – includes the risk that a member's investment does not provide a return at least in line with inflation, such that purchasing power is not maintained. It is measured by comparing the returns against an appropriate measure of inflation such as the Consumer Price Index (CPI).
- ***Pension conversion risk*** – includes the risk that, when close to retirement, a member has not invested the part of their fund that will be used to purchase a pension in those asset classes (principally UK bonds) which provide a partial hedge against annuity rate movements.
- ***Capital risk*** – includes the risk that the value of the member accounts falls, possibly more than anticipated, resulting in less money available for the member to purchase his/her pension.
- ***Opportunity risk*** *(or poor asset allocation)* – includes the risk that a member takes insufficient investment risk when they can (such as when they are younger). This also includes the risk that a member is not invested in those asset classes (principally equities but including other growth assets) that are expected to yield the highest returns over the long term. This results in a smaller pot of money with which a pension can be purchased.
- ***Manager risk*** – includes the risk that poor performance by one or more individual Investment Managers has a significant negative impact on the Plan's investments. It is measured by the expected deviation of the prospective risk and return, relative to the investment policy, and is managed by monitoring the actual deviation of returns relative to the objective and factors supporting the Investment Manager(s)' investment process.

A.28 The Trustee/FIC consider that the risk assumed by members in the Plan is managed by offering a suitable range of investment options in which members can choose to invest their accounts and by communicating this investment option range appropriately. The Trustee/FIC do not monitor the asset allocation of the membership.

A.29 Each member of the Plan has responsibility for selecting his/her investments from the funds made available by the Trustee/FIC and for monitoring the continued suitability of the investments to the member's personal circumstances.

STATEMENT OF INVESTMENT PRINCIPLES
YEAR ENDED 31 DECEMBER 2020

Investment management arrangements

A.30 The DC Section's investment options are accessed by members through a platform arrangement provided by the Platform Provider. The Trustee is not involved in the Investment Manager's day to day method of operation and therefore cannot directly influence the performance target. However, they will assess the performance and review the continued use of each fund and will obtain and consider advice on retained investments where appropriate. A set of objectives has been developed for each arrangement consistent with their benchmark and investment approach. (These are, of course, simply objectives and the rate of return cannot be guaranteed.)

Arrangement	Underlying Fund Name	Aim & Objective
Lifecycle Strategy	-	To provide an appropriate investment strategy for those members who didn't make an investment choice on joining the Plan.
Active - Money Market GBP Fund*	LGIM Cash	The fund seeks to maximise a current income only to the extent that it is consistent with the preservation of capital and the maintenance of liquidity.
Passive – UK Fixed Annuity Target Fund*	LGIM Pre-Retirement Inflation Sensitive Fund	To match the benchmark as closely as possible
Passive – UK Inflation Linked Annuity Target Fund	LGIM Pre-Retirement Inflation Linked Fund	To match the benchmark as closely as possible
Passive - Global Equity (UK Bias) Fund*	LGIM Global (30:70) Index Fund	To match the benchmark as closely as possible

*In addition to these funds making up the investments in the default lifecycle, they are also classified as default investment funds due to members being mapped as part of the investment changes made in December 2018.

A.31 Each Investment Manager should achieve its objective in the majority of periods under consideration. It is not expected that each Investment Manager will achieve their targets in every period. However, the Investment Manager should demonstrate that the skill it exercises on the portfolio is consistent with its target given the levels of risks adopted.

Fee basis

A.32 Members of the Plan bear the investment management charges on the funds in which they invest, plus an additional charge levied by the Platform Provider for services they provide on the platform. These fees are charged on an ad valorem basis by adjustment to the unit prices within the funds, calculated daily on the value of the fund on a particular day. The Trustee believes the charging structure is appropriate and in line with standard market practice.

September 2020