Parker Hannifin Pension & Death Benefit Plan
Defined Contribution (DC) Section

Statement of Investment Principles (SIP)
Effective from 1 September 2024

1. Introduction

This is the Statement of Investment Principles prepared by the Trustee and relates to the defined contribution (DC) benefits provided through the Parker Hannifin Pension & Death Benefit Plan ("the Plan"). This statement sets down the principles which govern the decisions about investments that enable the Plan to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004; and
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010.
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

In preparing this statement the Trustee has consulted Parker Hannifin Manufacturing Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP ("BW"), the Trustee's investment consultant. BW is authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries for a range of investment business activities.

This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.

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

The investment powers of the Trustee are set out in Clause 6 of the Definitive Trust Deed & Rules dated 8 December 2016. This statement is consistent with those powers.

2. Choosing investments

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

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

The day-to-day management of the Plan's assets is delegated to one or more investment managers. The Plan's investment managers are detailed in the Appendix to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.

The Trustee reviews the appropriateness of the Plan's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustee will also consult the Principal Employer before amending the investment strategy.

3. Investment objectives

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

4. Kinds of investments to be held

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

5. The balance between different kinds of investments

The Trustee has made available a Lifestyle investment option. Through this option members' assets are automatically invested in line with a pre-determined strategy that changes according to how far away members are from their expected retirement date. For example, whilst a member is a long way off accessing their retirement savings, emphasis is placed on medium to higher risk funds (i.e. investment largely in growth assets) in search of long-term, inflation-protected growth. As the member's target retirement date approaches, their retirement savings are progressively switched to hold a larger proportion of lower risk assets so as to protect the value of the retirement savings relative to the way in which they are expected to be accessed. Members are able to update their retirement date at their own discretion.

Members can choose to invest in any of the self-select funds detailed in the Appendix or can elect to invest in a lifestyle strategy. Where members do not choose where their contributions, and those made on their behalf by the employer, are invested, the Trustee will invest these contributions according to the default investment strategy set out in the Appendix.

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

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

6. Risks

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

Inflation risk	The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the retirement savings. The Trustee makes available investment options that are expected to provide a long-term real rate of return
Conversion risk	The risk that fluctuations in the assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the benefit amount likely to be received. In the lifestyle arrangements made available through the Plan (see Appendix), the Trustee changes the proportion and type of investments so that in the run up to retirement the investments gradually start to more closely match how the Trustee expects members to access their retirement savings. The Trustee keeps under review the appropriateness of the strategies.
Retirement income risk	The risk that a member's retirement income falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid. The Trustee periodically reviews the appropriateness of the investment options offered to ensure member outcomes can be maximised. Communications to members will seek to encourage them to regularly review the level of their contributions, but ultimately this is a risk which lies with each member.

Investment manager risk	The Trustee monitors the performance of the Plan's investment managers on a regular basis in addition to having meetings with them from time to time as necessary. The Trustee has a written agreement with its platform provider, who in turn has written agreements with each investment manager, which contains a number of restrictions on how the investment manager may operate.
Concentration/ Market risk	Each investment manager is expected to manage properly diversified portfolios and to spread assets across a number of individual shares and securities, in line with their stated objectives.
Currency risk	The Plan may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Where the Trustee believes exposure to currency risk is not rewarded and poses a risk to member outcomes, currency hedging may be used.
Loss of investment	The risk of loss of investment by the investment manager and custodian is assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud). The Trustee periodically reviews the internal controls and processes of the investment manager.
Climate-related risks	The Trustee considers climate change a financially material source of risk and opportunity over all time periods. Risks can be categorised as physical risks (such as flooding and extreme heat) or transitional risks (as companies and economies adapt towards a low carbon economy). Opportunities can be categorised as adaptation (to limit the real-world consequence of physical risks) or mitigation (to limit the extent of climate change). The Trustee will consider climate change in the selection, retention, realisation and monitoring of their fund managers.
Liquidity risk	This is the risk that assets cannot be traded quickly in the market. This risk may be present due to holding illiquid assets. The Trustee will review the allocation made to such assets to ensure it remains appropriate.

7. Expected return on investments

The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.

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

8. Realisation of investments

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

9. Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

The Trustee has set policies in relation to these matters. These policies are set out in the Appendix.

10. Policy on arrangements with asset managers

The Trustee invests in a life insurance policy with Fidelity Life International. Through this policy, the Trustee can access a range of investment managers and funds, as made available by Fidelity from time-to-time. The Trustee does not have a direct relationship with the underlying investment managers.

Incentivising alignment with the Trustee's investment policies

Prior to appointing an investment manager, the Trustee discusses the investment manager's approach to the management of ESG and climate related risks with the Plan's investment consultant, and how their policies are aligned with the Trustee's own investment beliefs.

When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustee also considers how ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.

The Trustee carries out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Plan's membership and their aims, beliefs and constraints. The Trustee monitors the investment managers' approach to ESG and climate related risks on an annual basis.

In the event that an investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated. The investment managers understand this.

Investment manager ESG policies are reviewed in the context of best industry practice and, where relevant, feedback will be provided to the investment manager.

Incentivising assessments based on medium to long term, financial and non-financial considerations

The Trustee is mindful that the impact of ESG and climate change has a long-term nature. However, the Trustee recognises that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustee acknowledges this in their investment management arrangements.

When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustee assesses these over a rolling timeframe. The Trustee believes the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter-term target, this is generally supplementary to a longer-term performance target. In the case of assets that are actively managed, the Trustee expects this longer-term performance target to be sufficient to ensure an appropriate alignment of interests.

The Trustee expects investment managers to be voting and engaging on behalf of the Plan's holdings and the Plan monitors this activity alongside preparation of the Implementation Statement in the Plan's Annual Report and Accounts. The Trustee does not expect financially material ESG considerations to be disregarded by the investment managers in an effort to achieve any short-term targets.

Method and time horizon for assessing performance

The Trustee monitors the performance of their investment managers over medium- to long-term periods that are consistent with the Trustee's investment aims, beliefs and constraints.

Through its investment platform, the Plan invests exclusively in pooled funds. The investment managers are remunerated by the Trustee based on the assets they manage on behalf of the Trustee. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less.

The Trustee believes that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

The Trustee asks the Plan's investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered periodically, such as alongside reviews of the Statement of Investment Principles.

Portfolio turnover costs

The Trustee acknowledges that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the quarterly investment monitoring process.

During the investment manager appointment process, the Trustee may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices.

Duration of arrangement with asset manager

For the open-ended pooled funds in which the Plan invests, there are no predetermined terms of agreement with the investment managers.

The suitability of the Plan’s asset allocation and its ongoing alignment with the Trustee’s investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of these reviews, the ongoing appropriateness of the investment managers and the specific funds used are assessed.

11. Monitoring

Investment Performance:

The Trustee reviews the performance of each investment option offered through the Plan against the stated performance objective. To do this, the Trustee receives a performance report on a quarterly basis from its platform provider. The Trustee’s investment consultant provides a supplementary report each quarter, and a more detailed assessment annually. This monitoring takes into account both short-term and long-term performance. The investment manager’s overall suitability for each mandate will be monitored as frequently as the Trustee considers appropriate in light of both its performance and other prevailing circumstances.

Objectives:

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

Investment Choices:

The Trustee monitors the ongoing appropriateness of the investment choices offered on a periodic basis.

12. Agreement

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

Appendix 1 Note on investment policy of the Plan in relation to the current Statement of Investment Principles

1. The balance between different kinds of investment

The Trustee’s main investment objectives are:

- to provide a suitable default investment option that is likely to be suitable for a typical member;
- to offer an appropriate range of alternative investment options so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different needs and objectives;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the value of members’ pension pots;
- to reduce the risk of the assets failing to meet projected retirement income levels;
- seek to achieve good member outcomes net of fees and subject to acceptable levels of risk;

The Trustee is responsible for the design of the default investment option and for choosing which investment options to make available to members. Members are responsible for their own choice of investment options (including where the default investment option is selected for them because they have not selected other funds).

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

Alternatively, the Trustee has made available a lifestyle arrangement, whereby a member’s assets are automatically invested in line with a pre-determined strategy that changes as the member gets closer to accessing their retirement savings. Emphasis is placed on medium to higher risk funds (i.e. investment largely in growth assets) in search of long-term inflation-protected growth whilst the member is a long way off accessing their retirement savings, switching progressively to protection assets over the years preceding the member’s target retirement date so as to protect the value of the retirement savings relative to the way in which they are expected to be accessed.

The lifestyle arrangement invests in some of the funds that are offered to members wanting to manage their own asset allocation decisions.

2. Default option

The Trustee acknowledges that members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible to offer a single investment option that will be suitable for each individual member. However, having analysed the Plan’s membership profile, the Trustee decided that the lifestyle arrangement set out below represents a suitable default investment option for the majority of members who do not make a choice about how their contributions (and those made on their behalf by the employer) are invested. The aims, objectives and policies relating to the default option are intended to ensure that assets are invested in the best interests of relevant members and their beneficiaries.

The asset allocation of the default option, which is named the Flexible Income Option, is set with reference to a member’s chosen or default retirement age and adjusts the allocation to each underlying fund over time.

The objective of the Flexible Income Option is to build real retirement income, while managing possible downside risk. In the run up to retirement, it also aims to align the asset allocation with how members are expected to access their benefits during their retirement. This is consistent with the Trustee’s main investment objectives as set out in section 1 of this Appendix.

The default arrangement for the Plan does not currently invest directly in illiquid assets such as private equity, infrastructure, and real estate. The Trustees believe that the reduced liquidity, higher complexity, and nascent fund range readily available in the market for DC schemes makes them unsuitable for the default arrangement at this time.

The Trustees do believe that illiquid assets have the potential to bring certain benefits to members including diversification, return enhancement and inflation protection, although the choice of manager is essential to achieve these benefits. The Trustees intend to consider options available to them during their next triennial strategy review.

The Lifestyle Option is designed with the assumption that individuals in this default are likely to hold some higher-risk assets such as equities and alternative investments and favour drawdown, but would also benefit from holding lower-risk investments in retirement such as cash or bonds.

The table below shows a breakdown of the funds used in the Flexible Income Option.

Fund	Underlying Funds
Early Growth Fund	• 75.0% LGIM Future World Global Equity Index Fund (50% GBP Hedged) • 12.5% White-labelled Diversified Growth Fund • 12.5% M&G Sustainable Total Return Credit Fund
Growth Fund	• 50.0% LGIM Future World Global Equity Index Fund (50% GBP Hedged) • 32.5% White-labelled Diversified Growth Fund • 17.5% M&G Sustainable Total Return Credit Fund
Approaching Retirement Fund	• 25.0% LGIM Future World Global Equity Index Fund (50% GBP Hedged) • 32.5% White-labelled Diversified Growth Fund • 17.5% M&G Sustainable Total Return Credit Fund • 10.0% BCIF iShares Corporate Bond Tracker Fund • 15.0% BlackRock Aquila Connect Up To 5 Year Index Linked Gilt Fund
At Retirement Fund	• 32.5% White-labelled Diversified Growth Fund • 17.5% M&G Sustainable Total Return Credit Fund • 10.0% BCIF iShares Corporate Bond Tracker Fund • 15.0% BlackRock Aquila Connect Up To 5 Year Index Linked Gilt Fund • 25.0% BlackRock Aquila Life Sterling Government Liquidity Fund

The next table shows the allocations to each fund in the Flexible Income Option, broken down into years to retirement.

Years to TRA	Early Growth Fund	Growth Fund	Approaching Retirement Fund	At Retirement Fund
15+	100%			
14	80%	20%		
13	60%	40%		
12	40%	60%		
11	20%	80%		
10		100%		
9		80%	20%	
8		60%	40%	
7		40%	60%	
6		20%	80%	
5			100%	
4			80%	20%
3			60%	40%
2			40%	60%
1			20%	80%
0				100%

The following table shows the benchmark and objective for each of the underlying funds used in the Flexible Income Option.

White-Label Name	Fund	Benchmark	Objective
Global Equity Fund	LGIM Future World Global Equity Index Fund (50% GBP hedged)	Solactive L&G ESG Global Markets Index (50% GBP hedged)	To track the benchmark
Diversified Growth Fund	LGIM Diversified Fund	FTSE Developed World Index (50% GBP hedged)	n/a
	BNY Mellon Newton Real Return Fund	Sterling Overnight Index Average (SONIA)	To outperform its benchmark by 3.0% p.a. over rolling 5 year periods (before fees)
Multi Asset Credit Fund	M&G Sustainable Total Return Credit Fund	Sterling Overnight Index Average (SONIA)	SONIA + 3.0% p.a. over a cycle
Corporate Bond Fund	BCIF iShares Corporate Bond Tracker Fund	iBoxx Sterling Non-Gilt Index	To track the benchmark
Index-Linked Gilts Fund	BlackRock Aquila Connect Up to 5YR Index Linked Gilt Fund	FTSE Actuaries UK Index-Linked Gilts up to 5 Years Index (GBP)	To track the benchmark
Liquidity Fund	BlackRock Aquila Life Sterling Government Liquidity Fund	Sterling Overnight Index Average (SONIA)	Maximise income while maintaining capital and ensuring assets can be bought/sold easily in normal market conditions

The statements made in the main body of this Statement of Investment Principles also apply to the default arrangement.

3. Self-select investment options

Alongside the default investment option, the Trustee also makes available a range of alternative investment choices as set out in the table below. The investment managers are authorised and regulated by the Financial Conduct Authority. The performance of the investment managers will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

White-Label Name	Fund	Benchmark	Objective
Diversified Growth Fund	50% LGIM Diversified Fund	FTSE Developed World Index - 50% Hedged to GBP	n/a
	50% BNY Mellon Newton Real Return Fund	Sterling Overnight Index Average (SONIA)	To outperform its benchmark by 3.0% p.a. over rolling 5- year periods (before fees)
Global Equity Fund	LGIM Future World Global Equity Index Fund	Solactive L&G ESG Global Markets Index	To track the benchmark
UK Equity Fund	LGIM Future World UK Equity Index Fund	Solactive L&G UK Index	To track the benchmark
World ex UK Equity Fund	90% LGIM Future World Developed (ex UK) Equity Index Fund	Solactive L&G ESG Developed ex UK Index	To track the benchmark
	10% LGIM Future World Emerging Markets Equity Index Fund	Solactive L&G ESG Emerging Markets Index	To track the benchmark
Responsible Global Equity Fund	L&G FTSE4Good Developed Equity Index Fund	FTSE 4Good Developed Index	To track the benchmark
Corporate Bond Fund	BCIF iShares Corporate Bond Tracker Fund	iBoxx Sterling Non-Gilt All Stocks	To track the benchmark
Index-Linked Gilts Fund	BlackRock Aquila Connect Up to 5YR Index Linked Gilt Fund	FTSE Actuaries UK Index-Linked Gilts up to 5 Years Index (GBP)	To track the benchmark
Fixed Interest Gilts Fund	BlackRock Aquila Connect Up to 5 Years UK Gilt Index S2	FTSE UK Gilts Up To 5 Years Index	To track the benchmark
Islamic Global Equity Fund	HSBC Islamic Global Equity Fund	Dow Jones Islamic Market Titans 100 Index	To track the benchmark
Liquidity Fund	BlackRock Aquila Life Sterling Government Liquidity Fund	Sterling Overnight Index Average (SONIA)	Maximise income while maintaining capital and ensuring assets can be

			bought/sold easily in normal market conditions
Multi Asset Credit Fund	M&G Sustainable Total Return Credit Fund	No specific benchmark	SONIA +3.0% p.a. over a cycle
Annuity Targeting Fund	LGIM Future World Inflation Sensitive Annuity Aware Fund	FTSE Annuities Index	To improve inflation adjusted outcomes for members likely to purchase fixed annuities.

Appendix 2: Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

1. Financially Material Considerations

The Trustee has set key investment beliefs relating to ESG:

1. Responsible investment in well governed companies and voting and engaging as long-term owners can reduce risk over time and may positively impact Plan returns - therefore we encourage managers to improve their voting and engagement practices;
2. ESG factors should be considered when making investment decisions, and managers may be able to improve risk-adjusted returns by doing this;
3. Climate change is a financially material systemic issue that presents risks and opportunities for the Plan over the short, medium and long term;
4. Aligning our assets with net zero greenhouse gas emissions by 2050 where practicable is expected to help reduce the risks to the Plan from climate change;
5. To be effective, a net zero program needs to be consistent with climate science, with both short-term and long-term targets and a focus on real world impacts;
6. Collaborative investor action can help address systemic risks, for example we believe net zero alignment, if implemented well, could be an effective approach to addressing climate risk.

Through its platform provider, the Trustee has elected to invest the Plan's assets through pooled funds. The choice of underlying funds is made by the Trustee after taking advice from their investment consultant. The Trustee takes into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments, alongside other investment risks set out elsewhere in this Statement.

The Trustee takes those factors into account in the selection, retention and realisation of investments as follows:

Selection of investments: assess the investment managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals (and other regular reporting).

Retention of investments: Developing a robust monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.

Realisation of investments: The Trustee will, where appropriate, request information from investment managers about how ESG considerations are taken into account in decisions to realise investments.

The Trustee will also take those factors into account as part of its investment process to determine a strategic asset allocation, and consider them as part of ongoing reviews of the Plan's investments.

The Trustee will monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

- The Trustee will obtain regular training on ESG considerations in order to understand fully how ESG factors including climate change and net zero alignment could impact the Plan and its investments;
- As part of ongoing monitoring of the Plan's investment managers, the Trustee may use any ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the Plan's investment managers take account of ESG issues;

- Through their investment consultant the Trustee will request that all of the Plan's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis; and,

- Through their investment consultant the Trustee will select investment managers and funds that invest in line with the Trustee's ambition to align the Plan's assets with net zero greenhouse gas emissions by 2050.

2. Non-financially material considerations

The Trustee does not take account of non-financial matters (such as members' ethical views) within the default investment strategy. However, they consider that it is important to ensure that a suitable range of funds are offered for members who wish to express an ethical preference in their pension saving.

3. The exercise of voting rights

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustee's behalf. In doing so, the Trustee expects that the investment managers will use their influence as major institutional investors to exercise the Trustee's rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustee will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Plan's investment consultant.

The Trustee has selected some priority ESG themes to provide a focus for its monitoring of investment managers' voting and engagement activities. For example, as at the date of producing this SIP, the Trustee has set two priority ESG themes: Climate Change and Diversity, Equity and Inclusion. The Trustee reviews the themes regularly and updates them if appropriate.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis, including activity in relation to the Trustee's priority ESG themes. The Trustee will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustee will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code, the Principles for Responsible Investment ("PRI") and the Net Zero Asset Managers Initiative.

The Trustee recognises that the investment managers and funds available to members are accessed through their platform provider, Fidelity. The Trustee therefore does not have a direct relationship with the investment managers. As a result, the Trustee will liaise with Fidelity in relation to voting and engagement, where appropriate.

4. Engagement activities

The Trustee acknowledges the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers, they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustee is of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustee also recognises that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustee considers it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Plan or as part of the pooled fund in which the Plan holds units.

The Trustee also considers it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Plan.

Should an investment manager be failing in these respects, this should be captured in the Plan's regular performance monitoring.

The Plan's investment managers are granted full discretion over whether or not to invest in the Principal Employer's business.

Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustee has made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

The Plan's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.

The Trustee expects all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustee believes they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee and the investee companies.

As set out above, in selecting and reviewing their investment managers, where appropriate, the Trustee will consider investment managers' policies on engagement and how these policies have been implemented.