

University of East Anglia Staff Superannuation
Scheme (“the Scheme”)
Statement of Investment Principles

Investment Objective

The Trustees aim to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided. In setting investment strategy, the Trustees considered the impact of changes in both the value of the assets and the value placed on the liabilities on the Scheme's funding level. The investment strategy they have selected is designed to maintain an acceptable funding cost and to improve the funding level over the long term, whilst controlling the risk of significant adverse movements in the funding level.

INVESTMENT STRATEGY

The Trustees have adopted a de-risking framework designed to gradually reduce the proportion of return seeking assets in the Scheme's portfolio and increase the allocation to liability matching assets (Liability Driven Investment), in order to increase the stability of the funding level.

The de-risking framework is currently paused and under review following the 2022 actuarial valuation. It will also be reviewed following any change in covenant, significant contribution or any significant changes to the benefit structure.

The current strategic allocation of assets is shown below:

Growth (%)					Liability Driven Investment (%)
Global Equity	Property	Multi Asset *	Absolute Return Bonds	Private Credit	
17.5	10.0	5.8	29	11.7	26.0

** This includes a risk parity fund.*

The Trustees will review the Scheme's asset allocation relative to the strategic allocation on a quarterly basis.

On hitting a de-risking trigger, the Trustees will decide which growth assets to sell.

Liability Driven Investments are designed to reduce funding level volatility from changes in interest rates and inflation via a range of pooled funds that make use of assets and derivatives such as gilts and swaps. The LDI manager, Insight, is responsible for ensuring that sufficient liquidity exists to support the derivative positions and accordingly has recourse to the assets held within the Insight absolute return bond fund.

This Investment Strategy was determined with regard to the actuarial characteristics of the Scheme, in particular the strength of the funding position and the liability profile. The Trustees' policy is to make the assumption that equities will outperform gilts over the long term and assumes that active fund management can be expected to add value. However, the Trustees recognise

the potential volatility in equity returns, particularly relative to the Scheme's liabilities, and the risk that the fund managers do not achieve the targets set. When choosing the Scheme's planned asset allocation strategy, the Trustees considered written advice from their investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

In addition, the Trustees also consulted with the sponsoring employer when setting this strategy.

RISK

The Trustees recognise that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustees have identified a number of risks which have the potential to cause a deterioration in the Scheme's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustees and their advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("cash flow risk"). The Trustees will manage the Scheme's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustees ("manager risk"). This risk is considered by the Trustees and their advisers both upon the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustees and their advisers considered this risk when setting the Scheme's investment strategy.
- The possibility of failure of the Scheme's sponsoring employer ("covenant risk"). The Trustees and their advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

Having set an investment objective which relates directly to the Scheme's liabilities and implemented it using a range of fund managers, the Trustees' policy is to monitor, where possible, these risks periodically. The Trustees receive periodic reports from their advisers showing:

- Estimated funding level of the Scheme.
- Performance of individual fund managers versus their respective targets.
- Any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustees.

Responsible Investing and Cost Transparency

In setting the Scheme's investment strategy, the Trustees' primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk

This includes the risk that environmental, social and governance ("ESG") factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustees consider this risk by taking advice from their investment adviser when selecting and monitoring managers.

Arrangements with Investment Managers

The Trustees recognise that the arrangements with their investment managers are important to ensure that interests are aligned. In particular, the Trustees seek to ensure that the managers are incentivised to operate in a manner that generates the best long-term results for the Scheme and its beneficiaries. The Trustees regularly monitor the Scheme's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustees' policies, including those on non-financial matters. This includes monitoring the extent to which the investment managers:

- Make decisions based on assessments about medium-to-long-term financial and non-financial performance of an issue or debt or equity; and
- Engage with issuers of debt or equity in order to improve their performance in the medium-to-long-term.

The Trustees are supported in this monitoring activity by their investment adviser.

The Trustees receive regular reports (usually quarterly) and verbal updates from their investment adviser on various items, including the investment strategy, performance and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme's objectives, and assess the investment managers over 3-year periods.

The Trustees also receive updates on the monitoring and engagement activities carried out by their investment managers, which supports the Trustees in

determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Trustees believe that having appropriate governing documentation, setting clear expectations to the investment managers by other means (where necessary), and regular monitoring of investment managers' performance and investment strategy, is in most cases sufficient to incentivise the investment managers to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where investment managers are considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically first engage with the manager but could ultimately replace the investment manager where this is deemed necessary.

There is no set duration for arrangements with investment managers, although the continued appointment for all investment managers will be reviewed periodically, and at least every three years.

Stewardship – Voting and Engagement

The Trustees recognise the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately this creates long-term financial value for the Scheme and its beneficiaries.

The Trustees regularly review the suitability of the Scheme's appointed investment managers and take advice from their investment adviser with regards to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed investment managers. If an incumbent investment manager is found to be falling short of the standards the Trustees have set out in its policy, the Trustees will undertake to engage with the investment manager and seek a more sustainable position but may look to replace the investment manager.

The Trustees review the stewardship activities of their investment managers on an annual basis, covering both engagement and voting action.

The Trustees will engage with their investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of the Trustees' active ownership policies as set out in this SIP, are being actioned.

If an incumbent manager is found to be falling short of the standards the Trustees have set out in its policies, the Trustees will engage with the manager and seek a more sustainable position, though it may ultimately replace the manager if such a position cannot be reached.

From time to time, the Trustees will consider the methods by which, and the circumstances under which, they would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders.

Cost Transparency

Ongoing reporting and compliance:

The Trustees are aware of the importance of monitoring their investment managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustees recognise that in addition to annual management charges, there are a number of other costs incurred by their investment managers that can increase the overall cost incurred by their investments.

Data collection

The Trustees collect cost transparency reports covering all of their investments and ask that the investment managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustees to understand exactly what they're paying their investment managers.

Manager relationships

The Trustees usually only appoint investment managers who offer full cost transparency via the CTI templates to manage assets of the Scheme. This will be reviewed before the appointment of any new managers and includes the existing managers held by the Scheme.

Portfolio turnover

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment managers' fund holdings change over a year. The Scheme's investment adviser monitors this on behalf of the Trustees as part of the manager monitoring they provide to the Trustees and flags to the Trustees where there are concerns.

The Trustees accept that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and manager's style and historic trends. Where the Trustees' monitoring identifies a lack of consistency the mandate will be reviewed.

Analysis of manager performance and remuneration

The Trustees evaluate the performance of their investment managers relative to their respective objectives on a regular basis via their investment monitoring reports and updates from the investment managers. The Trustees also review the remuneration of the Scheme's investment managers to ensure that these costs are reasonable in the context of the kind and balance of investments held.

Members' Views and Non-Financial Factors

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

IMPLEMENTATION

Aon has been selected as investment adviser to the Trustees. They operate under an agreement to provide a service which ensures the Trustees are fully briefed to take decisions themselves and to monitor those they delegate. Aon are paid an agreed annual fee which includes all services needed on a regular basis. Some one-off projects fall outside the annual fee and the fees for these are negotiated separately. This structure has been chosen to ensure that cost-effective, independent advice is received.

The fund manager structure and investment objectives for each fund manager ("mandates") are as follows:

<u>BlackRock ACS World ESG Equity Tracker Fund (Equities)</u>
To deliver returns (gross of fees) tracking closely the performance of the MSCI World ESG Focus Low Carbon Screened Index.
<u>UBS Life Climate Aware World Equity Fund (Equities)</u>
To deliver returns (gross of fees) broadly in line with the FTSE Developed Index. UBS will increase or decrease the exposure to constituents of the index based on their expected contributions towards climate change.
<u>BlackRock Market Advantage (Risk Parity Fund)</u>
To achieve a volatility target of 7% p.a. and expect to achieve SONIA + 3.5% returns over the long term.
<u>Insight (Liability Driven Investment)</u>
<p>A liability proxy has been determined using cashflow information provided by the Scheme Actuary together with the actuarial valuation assumptions. A hedge benchmark has been created by taking a pro-rata proportion of the fixed and inflation linked cashflows in the liability proxy. This proportion has been set at 95% of the value of the assets at the outset. This proportion is subject to change through time as the funding position and/or market conditions change.</p> <p>Insight's objective is to match the movement of the hedge benchmark caused by changes in interest rates and inflation.</p> <p>Insight will do this by investing in a range of pooled funds that are designed to match the movement in the value of the liabilities of an average pension scheme.</p>
<u>Insight Bonds Plus Fund (Absolute Return Bonds)</u>
To achieve 3 month sterling SONIA plus 2% p.a. over a market cycle (gross of fees)

<u>PIMCO Global Libor Plus Bond Fund (Absolute Return Bonds)</u>
To achieve 3 month sterling SONIA plus 2% p.a. over a market cycle (gross of fees)
<u>BlackRock UK Property Fund (Property)</u>
To outperform similar funds in the IPD UK All Balanced Property Funds Index
<u>CVC EU Direct Lending Fund III (Private Credit)</u>
To achieve an unlevered (Euro) IRR of 7% and above (net of fees)
<u>Chorus Capital Credit Fund V (Private Credit)</u>
To achieve an IRR of 9-10% per annum (net of fees)

The Trustees have delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to the relevant fund manager. When choosing investments, the Trustees and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The managers' duties also include:

- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Voting and corporate governance in relation to the Scheme's assets.

GOVERNANCE

The Trustees are responsible for the investment of the Scheme's assets. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take themselves and which to delegate, the Trustees have taken into account whether they have the appropriate training and expert advice in order to take an informed decision. The Trustees have established the following decision making structure:

Trustees <ul style="list-style-type: none">• Set structures and processes for carrying out their role.• Appoint an Investment Sub Committee.
Investment Adviser <ul style="list-style-type: none">• Advise on all aspects of the investment of the Scheme assets, including the items listed above, and its implementation.• Advise on this statement.• Provide required training.
Fund Managers <ul style="list-style-type: none">• Operate within the terms of this statement and their written contracts.• Select individual investments with regard to their suitability and diversification.• Advise Trustees on suitability of the indices in the benchmark.
Investment Committee <ul style="list-style-type: none">• Selecting of investment advisers and fund managers.• Monitor actual returns versus Scheme investment objective.• Set structures and processes for carrying out its role.• Select and monitor planned asset allocation strategy.• Select and review direct investments (see below).• Consider the recommendations from the investment adviser• Monitor investment advisers and fund managers.• Make ongoing decisions relevant to the operational principles of the Scheme's investment strategy.

Direct Investments

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, e.g., the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments**. All the fund manager mandates listed under "implementation" are qualified as direct investments.

The Trustees' policy is to review their direct investments and to obtain written advice about them annually. These include vehicles available for members' AVCs. When deciding whether or not to make any new direct investments the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the fund managers.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustees (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The Trustees' investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustees expect the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

The fund managers are remunerated on an ad valorem basis. In addition, fund managers pay commissions to third parties on many trades they undertake in the management of the assets and also incur other ad hoc costs.

The Fund Managers have appointed custodians for the safe custody of the assets held within their respective pooled funds in which the Scheme is invested. The custodians are responsible for the safekeeping of the assets held and perform the administrative duties attached, such as the collection of interest and dividends and dealing with corporate actions. In addition, the Trustees have appointed Northern Trust as custodian for the Liability Driven Investment portfolio and the Absolute Return Bond portfolio held with Insight.

The Trustees will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustees will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

**Approved and agreed by the Trustees of the University of East Anglia
Staff Superannuation Scheme**

A handwritten signature in blue ink, appearing to read 'A. Lawrence', is written over a faint, light blue circular stamp.

Trustee

Effective Date: 22 June 2022

SECTION 2

Version Control Record

The following table records changes to this document:

Version	Document Name	Nature of Change
V1 2008	\\Clients\Internal\University of East Anglia\2008\FF\SIP	Investment Strategy Review
V2 2009	\\Clients\Internal\University of East Anglia\2009\FF\SIP	Change of Property Manager
V3 2010	\\Clients\Internal\University of East Anglia\2010\FF\SIP	Change of Equity Manager
V4 2011	\\Clients\Internal\University of East Anglia\2011\FF\SIP	Investment Strategy Review
V5 2015	\\Clients\Core Clients\University of East Anglia\2015\SIP	Flightplan and appointment of LDI and ARB managers
V6 2016	\\Clients\Core Clients\University of East Anglia\2016\SIP	Appointment of two DGF managers and change of equity manager and change of hedge ratio
V7 2016	\\Clients\Core Clients\University of East Anglia\2016\SIP	Flightplan and updated allocation of LDI and ARB.
V8 2017	\\Clients\Core Clients\University of East Anglia\2017\SIP	Update to liability hedge, initial asset allocation and flightplan
V9 2019	\\Clients\Core Clients\University of East Anglia\2019\SIP	Appointment of several new managers and addition of Responsible Investing section
V10 2020	\\Clients\Core Clients\University of East Anglia\2020\SIP	Appointment of one new manager and Responsible Investing Section expanded to include policy on asset stewardship and monitoring of investment manager costs
V11 2022	\\Clients\Core Clients\University of East Anglia\2022\SIP\June	Appointment of two new equities managers
V12 2022	\\Clients\Core Clients\University of East Anglia\2022\SIP\July	Appointment of a Private Credit Manager and removal of a DGF manager