STATEMENT OF INVESTMENT PRINCIPLES – SEPTEMBER 2021

DNB BANK RETIREMENT AND DEATH BENEFITS PLAN

1. Introduction

The Trustees of the DNB Bank Retirement and Death Benefits Plan (the Plan) have drawn up this Statement of Investment Principles (the Statement) to comply with the requirements of the 1995 Pensions Act (the Act) and subsequent legislation. As required under the Act, the Trustees have consulted a suitably qualified person by obtaining written advice from Mercer Limited ("Mercer"). The Trustees in preparing this Statement have also consulted the Company, DNB Bank ASA London Branch, in particular on the Trustees' objectives.

The Plan consists of two sections, a Defined Benefit section (which is closed to new members and future accrual) and a Defined Contribution section. New members automatically join the Defined Contribution section.

The Trustees have adopted a different approach to the investment of the two sections. The Defined Benefit section investment principles are contained in Part A of this Statement. The Defined Contribution section investment principles are contained in Part B. Part C of this Statement relates to both sections of the Plan.

Overall investment policy (for each section of the Plan) falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustees acting on advice from their professional advisor, and is driven by their investment objectives as set out below. The remaining elements of policy are part of the day to day management of the assets which is delegated to professional investment managers.

PART A: DEFINED BENEFIT SECTION

2. Overall Policy, Investment Objectives and Risk

2.1. Investment Objectives

To guide them in their strategic management of the assets and control of the various risks to which the Plan is exposed, the Trustees have considered their objectives and adopted the following:

The Trustees' investment policy is to ensure to a reasonable degree that the Plan's assets move in line with the growth of the Plan's liabilities. While the Trustees are prepared to take a reasonable level of investment risk the aim of their policy is that there should be no diminution in the value of Plan assets, relative to the value of the liabilities, at any time which would necessitate the Trustees having to ask the Employer to make a one-off capital payment into the Plan.

In order to achieve these objectives, the Trustees' present policy is to invest the majority of assets in pooled bond funds and the balance in pooled equity funds managed by one or more major investment institutions.

2.2. Risk

The Trustees recognise that it is necessary to take some degree of investment risk to meet the objectives outlined in section 2.1. The Trustees have taken advice on the matter and (in light of the objectives noted previously) considered carefully the implications of adopting different levels of risk.

There are various risks to which any pension plan is exposed. The Trustees believe the following risks to be financially material over the lifetime of the Scheme:

i. The risk of deterioration in the Plan's funding level to the extent that the Trustees have to request a one-off capital payment from the Employer.

ii. The risk of a shortfall of assets relative to the Plan's liabilities.

iii. The risk that the day to day management of the assets will not achieve the rate of investment return expected by the Trustees.

iv. The risk that a mismatch between the assets and the liabilities will cause deterioration in the Plan's funding level.

v. The risk that climate change may impact the value of investments, due to its effect on natural and human systems, across geographical regions. However, due to the inherent uncertainty, the Trustees have not made explicit allowance for it when determining the investment strategy.

The Trustees have identified that mismatch risk to be the primary risk facing the Scheme. It is acknowledged that investing in non-liability matching assets (e.g. gilts) introduces a degree of mismatch risk but the Trustees believe this is acceptable in view of the potential benefits of higher expected returns, the greater security for members and a lower likelihood of additional contributions from the Employer. Additionally, the Trustees recognise the need for diversification to effectively manage risk exposure and to avoid holding unsuitable instruments.

In addition, from 31 December 2015 the Trustees are required to provide narrative disclosures in their Annual Report and Accounts on the credit and market risks arising from the investment arrangements of the Plan's Defined Benefit Section. These risks are defined as follows:

- *Credit risk*: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- *Market risk*: this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk, each of which is further detailed as follows:
  - *Currency risk*: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
  - *Interest rate risk*: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
  - *Other price risk*: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

2.3. Investment Strategy

The Trustees have set the strategy taking into account the Plan's current liability profile, the aforementioned risks and advice from their advisors. The strategy will be reviewed from time to time and in particular after each actuarial valuation.

The Trustees have adopted a diversified Plan-specific investment strategy that involves investing the majority of Plan assets in bonds, specifically index-linked gilts and corporate bonds, with the remainder invested in equities. The Trustees believe that such a strategy adequately manages the risks outlined in Section 2.2 and that the associated expected return is consistent with stated investment objectives (see Section 2.1).

Following the completion of the 2018 Actuarial Valuation the Trustees carried out an investment strategy review in late 2019 and agreed to de-risk the assets by selling half the equity allocation and holding this in cash to be used for cashflow requirements until such time as the liabilities of the Plan are secured. The strategy for investment holdings of the remaining assets excluding cash is in the table below:

Asset Class	Benchmark Allocation
Equities	**15.0%**
UK Equity	2.4%
European (ex UK) Equity (75% of non-sterling currencies hedged)	3.0%
North American Equity (75% of non-sterling currencies hedged)	5.9%
Japanese Equity (75% of non-sterling currencies hedged)	1.1%
Pacific Basin ex Japan Equity (75% of non-sterling currencies hedged)	1.1%
Emerging Markets Equity	1.5%
Bonds	**85.0%**
Corporate Bonds	11.3%
Index-Linked Gilts (All Stocks)	73.7%
Total	**100.0%**

Exposure to these asset classes is through pooled investment vehicles, with active management deployed where the Trustees expect it to add value over the longer term.

The safe custody of the Scheme's assets is delegated to professional custodians (either directly or via the use of pooled vehicles).

Although member views are not currently taken into account when determining the investment strategy, underlying manager structure or selection and retention or realisation of investments, there are methods by which they can make views known to the Trustees. The Trustees will review this position periodically.

As mentioned above, the Trustees maintain a balance in an L&G cash fund, to help meet cashflow requirements. Please see Section 11 for further details.

3. Day to Day Management of the Assets

3.1. Main Assets

With the exception of the corporate bond holding, the Plan's assets are invested in pooled funds managed by Legal & General Investment Management Ltd (L&G). L&G are also responsible for the currency hedging of the Plan's developed market overseas equity assets. The corporate bond assets are invested in a pooled fund managed by Aberdeen Standard Investments ("ASI").

Both managers have full discretion on the day-to-day management of the assets subject to the benchmarks set out in Sections 3.2 and 3.3 and the restrictions set out in the underlying pooled vehicles' governing documents. As the Plan only invests in pooled vehicles, the Trustees have limited scope to influence the investment restrictions on the the underlying assets held.

The Trustees believe that the overall asset mix together with the managers' investment approach to stock selection provides a suitably diversified portfolio of assets.

The Trustees monitor the distribution of investments from time to time and adjust the proportions through cashflow when they consider it appropriate.

3.2. L&G

The Plan's bond assets with L&G are invested in the following asset class:

Asset Class	Benchmark	Index
Index-Linked Gilts (All Stocks)	100.0%	FTSE A Index – Linked (All Stocks)

Equity assets with L&G are invested in the following asset classes:

Asset Class	Benchmark	Index	Rebalancing Ranges
UK Equity	16.0%	FTSE All-Share Index	±1.75%
European (ex UK) Equity	15.0%	FTSE W Europe (ex UK) Index – Sterling Currency Hedged	±1.75%
	5.0%	FTSE W Europe (ex UK) Index	±0.75%
North American Equity	29.25%	FTSE W North America Index – Sterling Currency Hedged	±1.75%
	9.75%	FTSE W North America Index	±1.00%
Japanese Equity	5.63%	FTSE W Japan Index – Sterling Currency Hedged	±0.625%
	1.87%	FTSE W Japan Index	±0.325%
Pacific Basin ex Japan Equity	5.63%	FTSE W Asia Pacific ex Japan Index – Sterling Currency Hedged	±0.625%
	1.87%	FTSE W Asia Pacific ex Japan Index	±0.325%
Emerging Markets Equity	10.0%	FTSE AW - All Emerging Markets Index	±1.00%

Each of the L&G funds are managed on a passive (index-tracking) basis, with a target return in line with the respective fund benchmarks, with stated tracking tolerance levels. The developed market overseas equity assets are invested in several L&G funds with the aim of hedging approximately 75% of non-sterling currency exposures.

3.3. ASI

ASI manages the remainder of the Plan's bond assets in a pooled corporate bond fund which has the following benchmark:

Asset Class	Benchmark	Index
Corporate Bonds	100.0%	Merrill Lynch Sterling Non-Gilts All Stocks

ASI's objective is to outperform the benchmark by 0.75% per annum over rolling three year periods.

PART B: DEFINED CONTRIBUTION SECTION

4. Overall Policy, Investment Objectives and Risk

4.1. Investment Objectives

The Trustees recognise that members have differing investment needs and that these may change during the course of members' working lives. They also recognise that members have different attitudes to risk. The Trustees believe that members should make their own investment decisions based upon their individual circumstances.

The following encapsulates the Trustees' objectives:

"To make available a range of investment vehicles which serve to meet, adequately, the varying investment needs and risk tolerances of Plan members".

The objectives set out above and the risk and other factors referenced in this Statement are those that the Trustees consider to be financially material considerations in relation to the DC Section as a whole. The Trustees believe that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on the member's age and when they expect to retire.

4.2. Risk

The Trustees have considered risk from a number of perspectives. The Trustees believe the following risks may be fundamentally material to the Plan over its lifetime and details of how they are managed are detailed overleaf:

Type of Risk	Risk	Description	How is the risk managed?
Market risks	Inflation risk	The risk that the investment return over members' working lives will not keep pace with inflation and does not, therefore secure an adequate pension.	The Trustees makes available a range of funds, across various asset classes, with the majority expected to keep pace with inflation (with the exception of the money market and fixed interest bond funds).
	Currency risk	The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.	Use of currency hedging in some assets to reduce the influence of currency fluctuation in foreign investments. Members have a choice of funds to select from, in line with their risk tolerances.
	Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	Members are able to set their own investment allocations, in line with their risk tolerances. Within active funds management of many of these market risks are managed by the investment manager. The Trustees have selected investment options, which utilise pooled vehicles, with the aim of ensuring that the fund choices and underlying manager structures in place result in adequate diversified portfolios for members to invest in.
	Interest rate risk	The risk that unfavourable interest rate movements, particularly in the years just prior to retirement may lead to a reduction in the amount of income that the member's retirement account can secure.	
	Concentration/ Diversification risk	The risk of an adverse influence on investment values from the poor performance of underlying investments and lack of diversification.	
	Equity, property and other price risk	The risk that investment market movements lead to a substantial reduction in the anticipated level of the benefit.	

Risk	**Description**	**How is the risk managed?**
Environmental, Social and Corporate Governance risk	The risk that environmental, social or corporate governance issues, including climate change, have a financially material impact on the return of the Plan's assets.	The Trustees have given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations. Similarly, the Plan's voting rights are exercised by its Investment Managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. Managers are also expected to be signatories to the United Nations-supported Principle Responsible Investment (PRI) unless a suitable reason is provided for not being. As the Plan assets are invested in wholly insured arrangements with investments in pooled vehicles the Trustees accept that the assets are subject to the investment fund managers' own policies in this area. The Trustees consider how ESG, climate change and stewardship is integrated within investment processes when appointing new investment managers and monitoring existing investment managers. The Trustees, in conjunction with their fiduciary manager have a target that all equity investment managers be highly rated for ESG integration and active stewardship with a minimum Mercer rating of ESG3 or better, where possible. Monitoring is undertaken on a regular basis and is documented at least annually. The Trustees will engage with the provider and the investment managers as appropriate, and will ask investment managers to include appropriate risk metrics within their portfolio reporting within the framework of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) and report on voting behaviour. The Trustees also periodically review the appropriateness of making individual ESG or sustainable investment choices available to members.

Risk	**Description**	**How is the risk managed?**
Investment Manager risk	The risk that the investment manager underperforms its objectives, fails to carry out operational tasks, does not ensure safe-keeping of assets or breaches agreed guidelines. In particular, the Trustees have considered the risk that active managers may underperform, whereas passive managers are likely to achieve a return close to any chosen benchmark.	The Trustees regularly review performance of investment funds. The Trustees seek advice from their investment advisers on the suitability of investment vehicles and aim to invest in funds with strategies that are highly rated by their investment adviser, based on forward-looking expectations of meeting objectives.
Liquidity risk	The risk that the Plan's assets cannot be realised at short notice in line with member demand.	The Plan is invested in daily dealt and daily priced pooled funds. Units in the pooled funds in which the Plan invests are believed to be readily redeemable. Where members self-select a fund which can be gated, for example property, as these are self-selected members would be informed of the liquidity constraints when they enter or exit the fund.
Pension Conversion risk	The risk that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement.	The Trustees makes available three lifestyle strategies for DC members. Lifestyle strategies automatically switch member assets into investments whose value is expected to be less volatile relative to how the member wishes to access their pension savings as they approach retirement age.
Pre-retirement downturn risk	The risk of a downturn in markets in the period leading up to retirement. This could lead to a substantial reduction in the level of retirement benefits that would otherwise be available.	The Trustees offer three lifestyle strategies (DNB Plan Lifestyle Strategy Targeting Drawdown is the default option), which automatically switch member assets as they approach retirement into investments that are expected to be less volatile, in order to reduce the risk of a substantial fall in the value of their accumulated savings near retirement.
Conflicts of Interest	The risk of a potential conflict of interest in appointing Mercer Limited as the provider of consultancy services and as the investment manager for the Mercer funds made available to the Plan.	Mercer, as the Trustees' Investment Advisor, ensure that Mercer Funds are subject to the same analysis as any other investment manager and implement a fully transparent monitoring and reporting process to ensure that the Trustees remain comfortable with the investment advice they receive from Mercer. Mercer follow strict protocols when introducing delegated solutions to clients and provide clear disclosure regarding the fees charged and services to be delivered.

The Trustees monitor and manage the risks set out in the previous tables by keeping the investment arrangements of the Defined Contribution Section under regular review through the quarterly investment reports which includes ESG ratings, the annual reporting produced by the MWS team and the Mercer Smarthpath UK Stewardship Code Monitoring report. In addition, the Trustees take advice from their investment advisors on their continuing appropriateness.

The Plan's Defined Contribution arrangements were reviewed in 2019 and the current range of investment options was determined as a result of this. The arrangements will be reviewed by the Trustees at least every three years and changes made as required.

In considering the range of funds to offer to members, the Trustees acknowledge that the investment time horizon of each individual member is different and will be dependent on their current age and when they expect to retire. In selecting the lifestyle options, the Trustees have taken the proximity to the target retirement date into account (through the use of target dated funds) and the associated financially material risks over the strategies' full time horizon.

Further, to assist members in controlling the risk set out in (iii), the Trustees have made a range of passively managed investment options available, some of which form part of the 'default' arrangement should members not actively choose how their monies are to be invested.

In addition, from 31 December 2015 the Trustees are required to provide narrative disclosures in their Annual Report and Accounts on the credit and market risks arising from the investment arrangements of the Plan's Defined Contribution Section. Please refer to Section 2.2 for further details.

5. Day to Day Management of the Assets

5.1. Day to day management of the Defined Contribution assets is delegated to a range of professional Investment Managers who are administered through the Aviva MyMoney Investment Platform ("Aviva") and Prudential Assurance Company Limited ("Prudential"), where the Trustees hold long term insurance policies. The value of the policies are linked to the value of the underlying pooled funds which the Trustees make available to members.

5.2. The Plan's Investment Platform is provided under agreement with Mercer Workplace Savings ("MWS") and Aviva. MWS combines a corporate investment platform offered by Aviva with Mercer's investment and operational governance and access to funds highly rated by Mercer along with Mercer-built Risk-Rated Funds. The Mercer Funds comprise single, or a combination of, external underlying investment managers, which are highly rated by Mercer.

5.3. The Trustees are responsible for the selection, appointment and retention of the Investment Managers. In this context, Investment Managers refers to the Delegated Investment Manager and external investment managers (when non MWS funds are utilised). "Delegated Investment Manager" refers collectively to Mercer Global Investments Europe Limited (MGIE) and Mercer Limited.

5.4. Funds have been selected on the Aviva platform, that are managed by Mercer Global Investments Europe Limited or white-labelled and managed by Mercer Limited. These provide a range of funds for members' contributions to be invested in. Where a fund is managed by Mercer Global Investments Europe Limited or Mercer Limited the underlying manager(s) may be changed at Mercer's discretion. In addition there are also external funds made available on the Aviva Platform by the Trustees.

5.5. Where necessary, all parties are authorised and regulated by an appropiate regulator. In addition, the Trustees regularly review the role of Aviva by receiving regular written reports from them, and periodically meeting with their representatives.

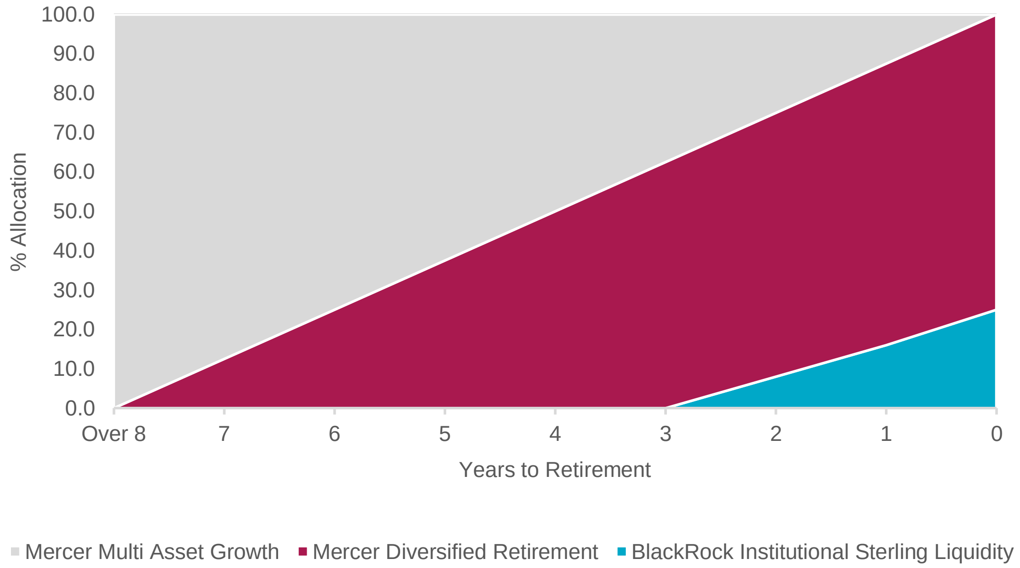
6. Investment Strategy

6.1. The Trustees make a number of investment options available for members to meet different objectives at retirement and/or provide exposure to a variety of asset classes to allow members to tailor their own investments.

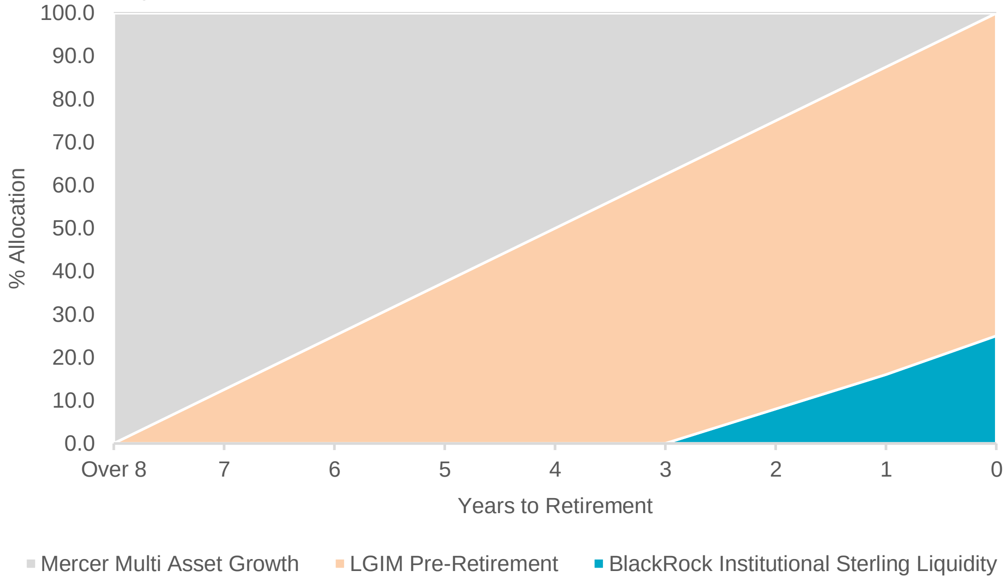
Member views are not currently taken into account when determining the investment strategy or underlying manager structure. The Trustees will review this position periodically.

Lifestyle Options: These represent investment strategies where member assets are automatically de-risked gradually as they get closer to retirement, the point at which they will need to access their assets and volatility in the value of them is less desirable. Three lifestyle options have been made available:

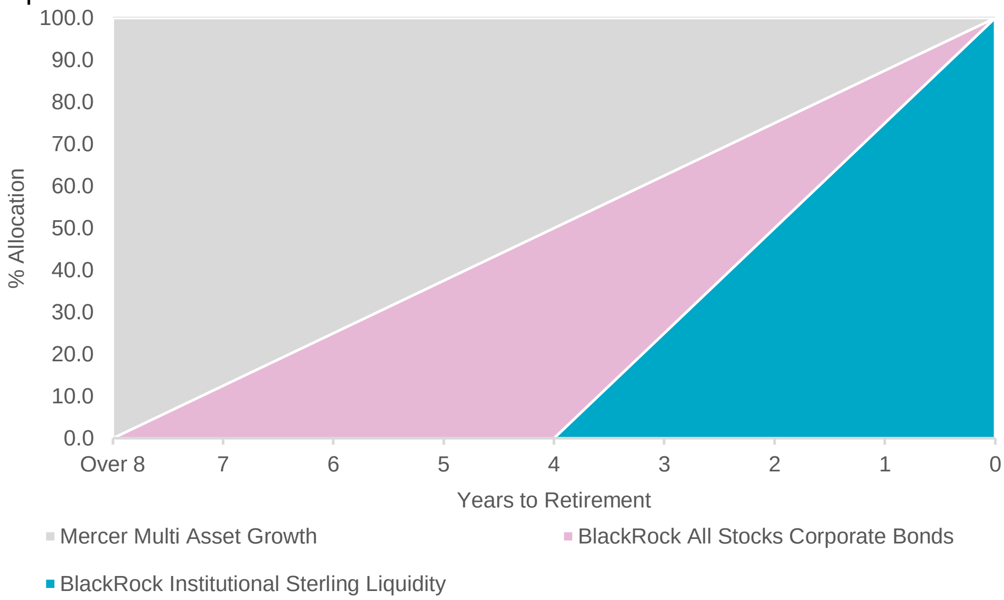
a. *DNB Plan Lifestyle Strategy Targeting Income Drawdown*: This option is suitable for members who wish to take drawdown at retirement. Contributions are invested in the Mercer Growth Fund until eight years from retirement, where monies begin to be switched (on a quarterly basis) into retirement income assets and cash as outlined below:



b. *DNB Plan Lifestyle Strategy Targeting Annuity*: This option is suitable for members who wish to purchase a non-increasing annuity at retirement and take 25% tax-free cash. Contributions are invested in the Mercer Growth Fund until eight years from retirement, where monies begin to be switched (on a quarterly basis) into annuity matching assets and cash as outlined below:



c. *DNB Plan Lifestyle Strategy Targeting Cash:* This option is suitable for members who wish to withdraw their assets as cash at retirement. Contributions are invested in the Mercer Growth Fund until eight years from retirement, where monies begin to be switched (on a quarterly basis) into passively managed corporate bonds and cash as outlined below:



It should be noted that all three lifestyle options are dynamically managed, by Mercer Global Investments Europe Limited, in response to market conditions meaning that the exact composition of the annuity matching assets and retirement income assets will not be known in advance.

Risk-Rated Funds: By offering risk-rated funds the Trustees provide investment options to those members who have considered their risk tolerance and return expectations of their monies. The following four options have been made available:

a. *Mercer Defensive:* The aim of this fund is to produce stable capital growth over the longer term. Assets are invested 16.5% UBS Low Volatility Equity, 5% ILIM Emerging Markets Debt, 5% Mercer Global High Yield Bonds, 7.5% BlackRock UK Credit, 5% BlackRock US Credit, 2.5% BlackRock Eurozone Credit, 10% Mercer Absolute Return Fixed Income, 15% BlackRock UK Gilts, 15% LGIM UK Inflation Linked Gilts, 18.5% ILIM Cash

b. *Mercer Moderate Growth:* The aim of the fund is to produce low to moderate levels of long term capital growth. Assets are invested 11.8% UBS Multi Factor Global Equity, 4% LGIM Sustainable Global Equity, 9.8% ILIM Emerging Markets Equity, 11% UBS Low Volatility Equity, 6.5%% UBS Global Small Cap Equity, 6.5% LGIM Global Listed Infrastructure, 6.5% LGIM Global REITS, 5% ILIM Emerging Markets Debt, 5% Mercer Global High Yield Bonds, 1.5% BlackRock UK Credit, 2% BlackRock US Credit, 1.5% BlackRock Eurozone Credit, 5% Mercer Absolute Return Fixed Income, 9% BlackRock UK Gilts, 5% LGIM UK Inflation Linked Gilts, 10% ILIM Cash.

c. *Mercer Growth:* The aim of this fund is to produce moderate to high levels of long term capital growth. Assets are invested 14% UBS Multi Factor Global Equity, 5% LGIM Sustainable Global Equity, 11% ILIM Emerging Markets Equity, 11% UBS Low Volatility Equity, 10% UBS Global Small Cap Equity, 7.5% LGIM Global Listed Infrastructure, 7.5% LGIM Global REITS, 10% ILIM Emerging Markets Debt, 5% Mercer Global High Yield Bonds, 3.5% BlackRock UK Credit, 5% BlackRock US Credit, 3.5% BlackRock Eurozone Credit, 7% Mercer Absolute Return Fixed Income.

d. *Mercer High Growth:* The aim of this fund is to produce high levels of long term capital growth. Assets are invested 19% UBS Multi Factor Global Equity, 8% LGIM Sustainable Global Equity, 13.5% ILIM Emerging Markets Equity, 13.5% UBS Low Volatility Equity, 13.5% UBS Global Small Cap Equity, 8.5% LGIM Global Listed Infrastructure, 8.5% LGIM Global REITS, 5.3% ILIM Emerging Markets Debt, 5.3% Mercer Global High Yield Bonds, 5% Mercer Absolute Return Fixed Income.

The Strategic Asset Allocations for the risk profiled funds shown above are correct as at 30th June 2020.

Self-Select Options: To offer members additional flexibility, the Trustees have made the following investment options available:

a. *Mercer Passive UK Equity*
b. *Mercer Passive Over 15 Year Gilts*
c. *Mercer Passive Over 5 Year Index-Linked Gilts*
d. *Mercer Passive Shariah*
e. *Mercer Diversified Retirement*
f. *Mercer Pre-Retirement*
g. *Mercer Absolute Return Fixed Income*
h. *Mercer Active UK Property*
i. *Mercer Active Emerging Market Equity*
j. *Mercer Active Cash*
k. *Fidelity Moneybuilder Income*
l. *BlackRock (30:70) Currency Hedged Global Equity Index*
m. *BlackRock European Equity Index*
n. *BlackRock Pacific Rim Equity Index*
o. *BlackRock US Equity Index*

Inactive Investment Option: The Trustees also previously made available the Prudential With-Profits Fund for members to invest in; this fund is closed to future contributions.

6.2. Members can combine the self select investment funds in any proportion in order to determine the balance between different kinds of investments. This will allso determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerances. The Trustees are satisfied that, within each investment option, the spread of assets by type and the investment manager's policy on investing in individual securities within each type provides adequate diversification of investments.

6.3. Further, members are free to choose between any of the investment options. If members do not actively choose one (or more) of these options, they will automatically be enrolled into the default option. The Trustees have identified the DNB Plan Lifestyle Strategy Targeting Income Drawdown as the default option. The Trustees believe that this investment option meets the requirements of the Pensions Regulator Code, Section 17(2) of the Pensions Act 2008 and the DC Code and therefore represents an appropriate default option for members (please see Section 7 for further details).

7. Default Option

7.1. Typically, a proportion of members will actively choose the default option because they feel it is most appropriate for them. However, the vast majority of Defined Contribution Section members do not make an active investment decision and are invested in the default option.

7.2. The Trustees' policies in relation to the default option are detailed below:

- The default option is a lifestyle strategy that manages investment and other risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members (see section 4.2 for further details). Any investment in derivative instruments contributes to risk reduction, or efficient portfolio management.

- In designing the default option, the Trustees have explicitly considered the trade-off between risk and expected returns. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. The default option utilises a diversified strategic asset allocation consisting of traditional and alternative assets. The asset allocation of both the growth and decumulation phases are consistent with the expected amount of risk that is appropriate given the age of a member and when they expect to retire.

- If members wish to, they can opt to choose their own investment strategy or an alternative lifestyle strategy on joining but also at any other future date.

- Assets in the default option are invested in the best interests of members and beneficiaries, taking into account the profile of members.

- Assets in the default option are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.

- Assets are invested mainly on regulated markets (those that are not must be kept to prudent levels).

- Assets in the default option are invested in daily traded pooled funds which hold highly liquid assets. The pooled funds are commingled investment vehicles which are managed by various investment managers. The selection, retention and realisation of assets within the pooled funds are delegated to the respective investment managers in line with the mandates of the funds.

- Likewise, the investment managers have full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments.

7.3. In designing the default option, the Trustees have considered risks from a number of perspectives. In general the risks are considered to be the same as those disclosed in Section 4.2. More specifically the main risks that the Trustees consider in relation to the default and how they are managed are listed below.

- The risk that investment returns over members' working lives will not keep pace with inflation and will not, therefore, secure adequate benefits at retirement.

  The Trustees manage this risk by ensuring that the default fund invests in a diversified range of assets which are likely to grow in real terms.

  The Trustees monitor this risk by measuring and considering the real returns (returns above inflation) of the funds, with positive values indicating that returns have kept up with inflation.

- The risk that assets may not be readily marketable when required.

The Trustees manage this risk by ensuring that the insurance contract with Aviva ensures access to daily dealt and daily priced pooled funds.

- The risk that investment market movements in the period immediately prior to retirement lead to a substantial reduction in the anticipated level of retirement benefits.

  The default lifestyle strategy automatically switches assets as members approach retirements into assets that are less susceptible to market volatility.

  The funds used by the default strategy are monitored by the Trustees with guidance from their Investment Consultant.

- The risk that the investment vehicles, in which monies are invested underperforms the expectation of the Trustees.

  The default investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustees.

  The Trustees monitor the performance of these funds regularly and ensure that their members receive good value for money through an annual value for members assessment.

7.4. In addition to the Trustees' Investment Beliefs (please see Section 4 for details) the aims of the default option are:

- The default option's growth phase structure, which invests in equities and other growth-seeking assets, will provide growth with some downside protection and some protection against inflation erosion.

- As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustees believe that the default option that seeks to reduce investment risk as the member approaches retirement is appropriate.

- Based on their understanding of the Plan's membership, an investment strategy that targets income drawdown in retirement and a tax-free cash lump sum (up to 25% of a members' pot at retirement) is likely to meet a typical member's requirements for income in retirement. This does not mean that members have to take their benefits in this format at retirement – it merely determines the default investment strategy that will be in place pre-retirement. Members who intend to take their retirement benefits through other formats have the option of switching to an alternative lifestyle strategy prior to retirement or even choosing their own investment strategy.

7.5. Taking into account the demographics of the Plan's membership and the Trustees' views of how the membership will behave at retirement, the Trustees believe that the current default option is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Plan's demographic, if sooner.

8. Additional default arrangements

8.1. In accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Plan has identified the DNB Plan Lifestyle Strategy Targeting Annuity as a 'default arrangement' (as defined by these regulations) in addition to the current default investment option in which new entrants to the Plan are directed.

This strategy has been identified as an 'additional default arrangement' following the change of the default to the DNB Plan Lifestyle Strategy Targeting Drawdown on 14 September 2020. Following the change members within 8 years of retirement remained in the DNB Plan Lifestyle Strategy Targeting Annuity. This was the previous default investment option for the Plan.

8.2. Prior to the change to the default strategy, the Trustees took appropriate investment advice and considered that the DNB Plan Lifestyle Strategy Targeting Annuity remained suitable for members within 8 years of retirement and in their best interest. The Trustees also took account of the demographics of the members invested in the strategy. The Total Expense Ratio ('TER'), which is the cost associated with the managing and operating of the fund, is below the charge cap legislation requirement of 0.75% p.a. that applies to default investment options.

8.3. In addition from 1 July 2020 the Utmost Money Market Fund has been identified as an 'additional default arrangement' as members' accrued DB AVC funds have been directed to this fund without members having instructed the Trustees where their assets are to be invested. This is not a default arrangement for the purposes of auto-enrolment. This default exists due to the closure of the Equitable Life Assurance Society Funds. Section 9 deals with the DB AVC arrangements.

At the start of 2020, the assets previously held in the Equitable Life With Profits Fund were transferred into the Utmost Life Secure Cash Fund without members' consent. This occurred as part of the transfer of the Equitable Life Assurance Society's UK policies to Utmost Life and Pensions Limited. This Fund was being used as a temporary measure following the transfer from Equitable Life to Utmost Life. The Trustees transitioned the holdings in the Utmost Life Secure Cash Fund to the Utmost Life Money Market Fund in July 2020.

Prior to mapping members' investments across to the replacement fund, the Trustees took appropriate investment advice and considered this fund to be suitable for the members and in their best interest. The Trustees also took account of the demographics of the members invested in the fund. The Total Expense Ratios ('TERs'), which is the cost associated with the managing and operating of the fund, is below the charge cap legislation requirement of 0.75% p.a.

8.4. The Trustees' aims and policies in relation to the additional default arrangements are detailed below:

- Risks associated with these investments have been considered in line with the Trustee's Policy with Regard to Risk (Section 4.2).

- The Trustees review the additional default arrangements at least every three years and without delay after any significant change in the investment policy or the demographic profile of relevant members. The policies set out in Sections 12, 13 and 14 apply to these additional defaults.

- Assets are ultimately invested in daily traded pooled funds which hold highly liquid assets. The pooled funds are commingled investment vehicles, which are managed by investment managers appointed by MWS and external managers respectively. The selection, retention and realisation of assets within the pooled funds are delegated to the respective investment managers in line with the mandates of the funds. Likewise, the investment managers have full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical conditions are taken into account in the selection, retention and realisation of investments.

DNB Plan Lifestyle Strategy Targeting Annuity

- The growth phase structure, which invests in equities and other growth-seeking assets, will provide growth with some downside protection and some protection against inflation erosion.

- As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustees believe that the default option that seeks to reduce investment risk as the member approaches retirement is appropriate.

- Based on the Trustees' understanding of the members who at 14 September 2020 had less than 8 years to retirement, an investment strategy that targets annuity purchase and a tax-free cash lump sum (up to 25% of a members' pot at retirement) is suitable. This does not mean that members have to take their benefits in this format at retirement – it merely determines the default investment strategy that will be in place pre-retirement. Members who intend to take their retirement benefits through other formats have the option of switching to an alternative lifestyle strategy prior to retirement or choosing their own investment strategy.

- The performance of this strategy is monitored quarterly. Following categorisation as a 'default arrangement' a strategic review will be carried out at least triennially which will coincide with the next review of the current default arrangement in line with legislative requirements.

Utmost Money Market Fund

- To provide members with a fund that is expected to provide a level of capital preservation across market environments, whilst aiming to provide a return in line with prevailing short term money market rates. The fund invests in the short term deposits.

- The performance of this fund is monitored regularly. Following categorisation as 'default arrangement' a strategic review will be carried out at least triennially in line with legislative requirements.

- This fund is closed to future contributions.

PART C: GENERAL

9. Other Assets

The Trustees offer several investment vehicles for members to make Additional Voluntary Contributions. The Trustees also retain small working cash balances in a pooled Trustee bank account administered by Mercer.

Other Plan assets include sundry amounts owed to the Plan.

10. Employer-Related Investments

The Trustees recognise that investment in pooled funds may result in employer-related investments being held within the Plan. However, given the nature of the pooled funds selected by the Trustees and the diversification of assets held within the pooled funds, it is unlikely that such investment could breach the restriction under Section 40 of the Pensions Act.

11. Realisation of Investments

To more effectively meet the cashflow needs of the Plan, the Trustees maintain a cash fund balance with L&G. The Plan's administrator has authority to redeem assets from the cash fund as and when a shortfall is identified. The Trustees monitor the balance and will organise a 'top-up' investment if it falls below £125k.

If the cash fund balance is insufficient to meet a shortfall, the Trustees will seek advice from its investment advisors on where monies should be sourced. In such circumstances, monies will typically be disinvested such that the Plan's asset allocation is moved towards the investment strategy outlined in Section 2.3.

In terms of the DC Assets, the investment managers have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation and pooled fund prospectuses.

The Trustees monitor the allocation between the appointed managers and between asset classes.

12. Responsible Investment and Corporate Governance

12.1. Financially material considerations and Stewardship

The Trustees believe that good stewardship and environmental, social and governance ("ESG") issues may have a material impact on investment returns. The Trustees also recognise that long term sustainability issues, particularly, but not limited to, climate change, present risks and opportunities that increasingly may require explicit consideration.

As the Plan only invests in pooled vehicles, the Trustees recognise that the Investment Managers have full discretion when evaluating ESG issues, exercising rights and stewardship obligations attached to the Plan's investments, including engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure and management of actual or potential conflicts of interest and risks. In addition, the Investment Managers have full discretion when deciding on the degree to which the above are integrated into their investment processess. The Trustees are satisfied this corresponds with their responsibilities to the beneficiaries but will assess the extent to which they adhere to their stated policies on a triennial basis.

The Trustees do not monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the investment managers' general policies on stewardship, as provided to the Trustees from time to time, considering the long-term financial interests of the beneficiaries.

12.2. DC Stewardship Policy

In addition to the above, in the context of the DC Assets and the requirements imposed on the Trustees from 1 October 2019, the Trustees expect the investment managers who are registered with the FCA to comply with the UK Stewardship Code and UK Corporate Governance Code, including public disclosure of compliance via an external website.

The Plan's investment managers exercise voting rights and undertake engagement (collaborative or otherwise) in accordance with their own corporate governance policies and the Trustees will review the following reporting on an annual basis:

- UK Stewardship Code Review which assesses each underlying equity manager's compliance against the seven principles of the UK Stewardship Code.
- Stewardship monitoring reporting which assesses each underlying equity manager's record of executing and disclosing voting activity and the extent to which they are engaging with the underlying companies in which they invest.
- ESG ratings of all investment managers versus the asset class universe ESG ratings. In addition, ESG ratings are disclosed in the quarterly performance report which reviewed by the Trustees.

The Trustees have and will continue to consider sustainability themed investments. The Trustees have made the Mercer Passive Shariah fund available to members as a self select option which falls into this category.

12.3. Corporate Governance

Similarly, due to only holding pooled vehicles, the Plan's voting rights are exercised by its investment managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

Equity managers who are FCA registered are expected to report on their adherence to the UK Stewardship Code on an annual basis and the Trustees will monitor the extent (and manner in which) the investment managers exercise voting and engagement rights at least every three years.

13. Non-Financial Matters

The Trustees do not take into account any non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

14. Investment Manager Appointment, Engagement and Monitoring

14.1. Aligning Investment Manager Appointments with Investment Strategy

In relation to the DB section, the investment managers are appointed by the Trustees based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and desired risk characteristics.

The Trustees look to Mercer, where appropriate, for their forward-looking assessment of an investment manager's ability to outperform over a full market cycle. This view will be based on the Mercer's assessment of the investment manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Plan invests in.

Mercer's manager research ratings assist with due diligence (and questioning the investment managers during presentations to the Trustees) and are used in decisions around selection, retention and realisation of investment manager appointments.

If the investment objective for a particular investment manager's fund changes, the Trustees will review the fund appointment to ensure that it remains appropriate and consistent with the wider Trustee's investment objectives.

The Plan's investments are all made through pooled investment vehicles. The Trustees accept that they have no ability to specify the risk profile and return targets of the investment manager. Such issues are taken into consideration when selecting and monitoring the investment managers to align with the overall investment strategy requirements.

In relation to the DC section the Trustees access the Investment Manager's products (or funds) through the MWS provider's insurance platform. The Delegated Investment Manager appoints underlying investment managers and the Trustees select funds from external investment managers based on their capabilities, and therefore the perceived likelihood of achieving the expected return and risk characteristics required.

Mercer's manager research rating reflects Mercer's forward-looking assessment of a manager's ability to meet or exceed their objectives. As the Trustees invest in pooled investment vehicles they accept that they have no ability to influence the Investment Managers to align their decisions with the Trustees' policies set out in this Statement. However, appropriate mandates can be selected to align with the overall investment strategy.

14.2. Incentivising Investment Managers to Consider Long-Term Financial and Non financial Performance

The Trustees also consider Mercer's assessment of how each investment manager embeds ESG into its investment process and how the investment manager's responsible investment philosophy aligns with the Trustees' beliefs around responsible investment. This includes the investment managers' policy on voting and engagement (where relevant). The Trustees will use this assessment in decisions around selection, retention and realisation of investment manager appointments where applicable.

The Trustees meet with L&G and ASI from time to time and can challenge decisions made including voting history and engagement activity to ensure the best performance over the medium to long term.

The investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed. If the Trustees are dissatisfied, then they will consider replacing the investment manager.

In relation to the DC Section the Delegated Investment Manager expects all underlying investment managers to incorporate the consideration of longer term factors, such as ESG, into their decision making process where appropriate. The extent to which this is so will be considered during the selection, retention and realisation of manager appointments. Voting and engagement activity should be used by investment managers to discuss the performance of an issuer of debt or equity.

The Delegated Investment Manager engages with underlying investment managers on this activity and if dissatisfied will look to replace the manager. The Trustees expect external investment managers to incorporate consideration of longer term factors, such as ESG into their decision-making process where appropriate. If the Trustees are dissatisfied, then they will consider replacing the external investment manager.

14.3. Evaluating Investment Manager Performance and Remuneration

In relation to the DB section, the performance and fees of L&G and ASI are reviewed by the Trustees on a regular basis.

Mercer will prepare a report when requested by the Trustees summarising the distribution of investments and the requirements for rebalancing the portfolio. The report will also review the performance of the investment managers. The Trustees review absolute performance and in many cases relative performance, either against a suitable index used as a benchmark (where relevant) and/or against the investment manager's stated performance target (over the relevant time period).

The Trustees' focus is primarily on long-term performance but will put a manager 'on watch' if there are short-term performance concerns.

If investment managers are not meeting performance objectives, or investment objectives for mandates have changed, the Trustees may ask investment managers to review the Annual Management Charge or decide to switch investment managers.

In relation to the DC Section, the Trustees' focus is on longer-term performance but shorter-term performance is monitored to ensure any concerns can be identified in a timely manner. The Trustees review performance of the Investment Managers products (or funds) on a quarterly basis, including assessments of both shorter and longer time horizons.

The Trustees and the Delegated Investment Manager also rely upon Mercer's manager research capabilities. The remuneration for Investment Managers used by the Plan is based on assets under management. The levels of these fees is reviewed annually as part of the annual value for money assessment to ensure they continue to represent value for members.

If the Investment Managers' performance is not satisfactory, the Trustees will request an explanation of performance and process from the relevant investment manager. If not satisfied with this, the Trustees may request further action be taken, including a review of fees.

14.4. **Portfolio Turnover Costs**

In relation to the DB section, the Trustees do not currently monitor portfolio turnover costs.

The Trustees will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. In future, the Trustees may ask investment managers to report on portfolio turnover cost. They may assess this by comparing portfolio turnover across the same asset class, on a year-on-year basis for the same investment manager fund, or relative to the investment manager's specific portfolio turnover range in the investment guidelines or prospectus.

In relation to the DC section portfolio, turnover costs for each of the funds are reviewed on an annual basis as part of the annual value for members assessment. The ability to assess the appropriateness of these costs is limited by the availability of data. The Trustees will monitor industry developments in how to assess these costs and incorporate this in future value for members assessments. Importantly, performance is reviewed net of portfolio turnover costs.

14.5. **Investment Manager Turnover**

The Trustees are long-term investors and are not looking to change the investment arrangements on a frequent basis.

For open-ended funds (which all of the Plan's assets are invested in), there is no set duration for the investment manager appointments.

In relation to the DB section the Trustees will therefore retain an investment manager unless:

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

- The investment manager appointed has been reviewed and the Trustees have decided to terminate the mandate.

In relation to the DC section, the Delegated Investment Manager is responsible for the selection, appointment, monitoring and removal of the underlying investment managers.

The Trustees are responsible for the selection, appointment and removal of the delegated investment managers and the external investment managers.

The Trustees may also choose to remove a fund from the fund range, if no longer considered appropriate. The fund range is formally reviewed on at least a triennial basis. The Mercer funds in use are also looked at on an annual basis through the Mercer SmartPath review.

The Trustees do not currently define target portfolio turnover ranges for investment managers, particularly as the Trustees use pooled fund structures which may limit the ability to do so.

15. Compliance with this Statement

The Trustees will monitor compliance with this Statement annually.

16. Review of this Statement

The Trustees will review this Statement in response to any material changes to any aspect of the Plan, its liabilities, finances and the attitude to risk of the Trustees and the Company which they judge to have a bearing on the stated Investment Policy. As part of the review, the Trustees will take expert investment advice and consult the Company. Such a review will normally be carried out every three years.