Swiss Re GB Pension Scheme

Statement of Investment Principles

Defined Contribution Section

Effective date: September 2020

Publication date: September 2020

1. Introduction

Scheme details and effective date

- This document describes the investment policy pursued by the Trustees of the Swiss Re GB Pension Scheme (the Scheme) for the Defined Contribution section of the Scheme. It details the position as at **30 September 2020**.

- The Scheme operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries. The Scheme contains both a Defined Contribution Section and a Defined Benefit Section. This Statement of Investment Principles focuses exclusively on the Defined Contribution Section.

- The Scheme is registered with Her Majesty's Revenue and Customs under Chapter 2 of Part 4 of the Finance Act 2004.

Pensions Act

- Under the Pensions Act 1995 and 2004 (the Pensions Acts), the Trustees are required to prepare a statement of the principles governing investment decisions. This document fulfils that requirement for the Defined Contribution section of the Scheme.

- Before preparing this document, the Trustees have had regard to the requirements of the Pensions Acts concerning diversification of investments and suitability of investments and the Trustees will consider those requirements on any review of this document or any change in their investment policy. The Trustees will refer to this document where necessary to ensure that they exercise their powers of investment so as to give effect to the principles set out in it as far as is reasonable.

- In creating this document, the Trustees have sought advice from their investment consultant, Towers Watson Limited (Willis Towers Watson). The Trustees will review this document, in consultation with the investment consultant, at least once every three years and without delay after a significant change in investment policy.

Financial Services and Markets Act 2000

- In accordance with the Financial Services and Markets Act 2000, the Trustees will set general investment policy, but will delegate the responsibility for selection of specific investments, subject to restrictions, to an appointed investment manager or managers, which may include an insurance company or companies. The investment manager(s) shall provide the skill and expertise necessary to manage the investments of the Scheme competently.

Socially responsible investment and the exercising of rights

- The Occupational Pension Schemes (Investment) Regulations 2005 require the Trustees to disclose the following in the statement of investment principles;

    - The extent (if any) to which social, environmental or ethical considerations are taken into account in its investment policy, and

    - The policy (if any) on exercising rights attaching to investments.

- The Trustees' policy as at 30 September 2020 is set out within this document accordingly.

2. Beliefs and objectives

Investment beliefs: Defined Contribution Section

The Trustees of the Scheme have considered their investment beliefs which result in the following approach to the investment strategy of the Defined Contribution Section of the Scheme.

- Members should have a choice between an appropriate default lifecycle strategy, two alternative lifecycle investment strategies, and a limited range of self-select funds.

- The range of self-select funds should offer different asset classes and key sub-classes within each asset class; e.g. within the equities asset class we should seek to offer sub-asset class options covering global and regional equity markets. The Scheme does not seek to offer an extensive fund choice within each sub-asset class.

- While noting the previous point, the number of self-select funds should be limited as far as possible since offering too many options may discourage members from making a choice.

- The Scheme can offer cost efficient funds due to scale, which contribute to longer term value for members.

- Passive funds are usually more cost-efficient. Active funds can add value, including to diversify and manage risks, particularly for asset classes for which markets are less efficient (e.g. emerging markets equities), or for which no passive option is available (property). The Trustees believe they have a process in place to select and review an appropriate selection of funds to meet the majority of members' needs.

- The Scheme should offer specialist funds where appropriate and practical (e.g. for ethical, sustainable or religious considerations).

- The default lifecycle option should be determined based on appropriate review of the membership and advice from the Scheme’s Defined Contribution investment consultant; it currently targets the drawdown option of benefits.

- The Scheme encourages members to exercise the investment options available to them in the Scheme but appreciates that many members will be more comfortable with the default lifecycle option.

- The Scheme makes these Defined Contribution self-select funds available to members, on the expectation these will be considered alongside their other pension savings and their overall risk appetite, which only they know. Members are reminded through communications that they could consider seeking independent financial advice.

Objectives: Defined Contribution Section

- To secure assets of appropriate liquidity which will generate income and capital growth which, together with any new contributions from members and the Company, will provide members with a fund at retirement with which to provide retirements benefits either by the purchase of a pension annuity, the payment of a cash lump sum, regular withdrawals through ‘pension drawdown’ or any combination of these.

- To provide a default lifecycle strategy appropriate for those members who do not want to make an investment choice of their own.

- To recognise and limit (in as far as is reasonably consistent with the provision of member choice as set out under the Scheme's rules) the risk of a member's account failing to satisfy the member's reasonable expectations over the long term given the level of contributions to the Scheme by the member and the company on the member's behalf.

- To maximise the long-term benefits from the Scheme by allowing members to maximise the returns on their assets at an acceptable level of risk whilst having regard to the objectives shown under the previous paragraph.

- The Trustees aim to meet the long-term objectives by:

  - Seeking advice, as appropriate, from the Scheme's professional advisers

  - Offering a suitable range of investment funds and options, including a suitable default lifecycle strategy, which should provide members with a method by which they are able to mitigate the various types of risk they face – inflation risk, capital value risk, missed opportunity risk and pension conversion risk (these risks are explained in more detail below).

Policy: Defined Contribution Section

- Members' investment needs change as they progress towards retirement age. Younger members typically have a greater need for real growth in an attempt to ensure their investment accounts grow at a rate greater than both inflation and salary escalation. Younger members will also, all other things being equal, have a greater tolerance for volatility of returns, as they have a greater time to retirement in which markets may recover from any temporary low. They also have larger "human capital" in terms of their future earnings potential from which to recover from a shortfall position.

- In contrast, older members may require a greater level of consistency in the value of their investment accounts. At this stage, depending on how they are planning to take their benefits, capital preservation and annuity price (liability) matching may become more important.

- The Trustees consider that the objectives of the Defined Contribution Section are likely to be met by offering:

  - A range of investment funds to members that are sufficiently diverse in terms of asset class so as to cater for the investment needs of members at each stage of their working lives, and;

  - Lifecycle strategies that are suitable for those members who do not wish to select their own investment funds.

- The Trustees have decided to offer a selection of passively and actively managed investment options. Passively managed funds aim to match the performance of a chosen index, whether it goes up or down. Use of passive management minimises the risk of underperformance attributable to manager skill in asset (e.g. stock) selection, and passively managed funds typically attract lower charges.

- The full range of investment options is given in appendix A.

Financially material considerations, stewardship, and engagement

- The Trustees' policy is to take account of all financially material considerations, including the capital structure of investee companies, actual and potential conflicts of interest, the interests of other stakeholders, and the environmental, social and governance ("ESG") impact of underlying holdings, in consultation with its advisers. Risks and opportunities are assessed for materiality and impact within a broader risk management framework, which takes account of members' time horizons. The Trustees will consider financially material factors, such as (but not limited to) those arising from ESG considerations, including climate change, in the context of this broader risk management framework. The Trustees do not currently have an active policy of considering non-financial matters in their investment decision making.

- The Trustees' policy is that day-to-day decisions relating to the selection, retention, and realisation of the Scheme's assets is left to the discretion of the investment managers. This includes consideration of all financially materially factors, including ESG-related issues where relevant. The Trustees explore these issues with their advisers to understand how the investment managers exercise these duties in practice.

- The Trustees use many different managers and mandates to implement their investment policies, accessed via an insurance policy with Aviva Life & Pensions UK Limited for the Scheme's Defined Contribution Section. The Trustees ensure that the Defined Contribution Section's investment options are consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustees will also ensure that the investment objectives and guidelines of any particular pooled vehicles are consistent with their policies, where relevant to the mandate in question.

- Managers are paid fee expressed as a percentage of the assets under management, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. It is the Trustees view that fees linked to investment performance increase complexity and in most cases do not materially improve alignment with long-term objectives. Such fee structures are therefore not currently used in the Defined Contribution Section.

- For most of the Defined Contribution Section's investments, the Trustees expect the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods.

- When considering the appointment of new managers, and reviewing existing managers, the Trustees, together with their investment consultant, look to take account of the approach taken by managers with respect to sustainable investing including voting policies and engagement where relevant. The Trustees' policy is to delegate responsibility for the exercising of ownership rights (including voting rights) attaching to investments to the investment managers. The Trustees recognise the UK Stewardship Code as best practice and encourage their investment managers to comply with the UK Stewardship Code or explain where they do not adhere to this policy.

- The HSBC Islamic Global Equity Index and Jupiter Ecology Funds have been included in the self-select fund range to cater for members who may wish to express non-financial considerations in their investment selection. The Trustees' policy at this time is not to take into account more widely members' views on non-financial matters in the selection, retention and realisation of investments.

Corporate governance

- The Trustees periodically review the corporate governance policies implemented by the Defined Contribution Section's investment managers. The Trustees expect the investment managers to exercise their voting and other rights as shareholders in a manner which is, in the investment manager's opinion, consistent with best practice in relation to corporate governance and the statement on socially responsible investment set out above.

Diversification

- The choice of benchmarks and the range of funds made available to members are designed to ensure the Defined Contribution Section's investments can be adequately diversified. Where the Defined Contribution Section invests via pooled funds the Trustees are not in a position to ensure the assets are diversified within asset classes. However, this issue will feature in the monitoring process for the investment manager.

Suitability

- The Trustees have taken advice from the investment consultant to ensure the lifecycle strategies and fund range made available to members are suitable for members of the Defined Contribution Section.

Liquidity

- The members' accounts are held in funds which can be realised to provide pension benefits on retirement, or earlier on transfer to another pension arrangement (although in the case of the property fund market conditions may delay the realisation of the assets).

3. Investment management arrangements and risk controls

Manager structure

- Aviva has been selected as the provider for the Defined Contribution Section. Aviva offers access to externally managed funds, which may be included within the range available to members.

Ongoing monitoring

- The Trustees must also satisfy themselves that the investment managers continue to carry out their work competently and have the appropriate knowledge and experience to manage the investments of the Defined Contribution Section.

- The Trustees believe in developing a disciplined framework for monitoring the investment managers. The performance of the investment managers appointed under the Defined Contribution Section is monitored at least annually. The appointment of the investment managers will be reviewed by the Trustees from time to time, based on the results of its monitoring of performance and process.

- The Trustees review the costs incurred in managing the Defined Contribution Section’s assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustees will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

- The Trustees appoint their investment managers with an expectation of a long-term partnership, which encourages active ownership of the Defined Contribution Section’s assets. When assessing a manager’s performance, the focus is on longer-term outcomes, and the Trustees would not expect to terminate a manager’s appointment based purely on short term performance. However, a manager’s appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

Risk management

- The Trustees recognise a number of risks involved in the investment of assets of the Defined Contribution Section, including:

  Manager risk

  - Is measured by the expected deviation of the prospective risk and return, as set out in the managers’ objectives, relative to the investment policy.

  - Is managed by monitoring the actual deviation of returns relative to the objective and factors supporting the managers’ investment process.

  Capital risk

  - Is the risk that the value of a member’s account will fall in value over any period of time.

  - Is managed by the provision of a cash fund, although the Trustees would not encourage members to exclusively invest in cash. In addition, it is managed by the provision of lifecycle strategies that aim to reduce volatility as members approach retirement.

Inflation risk

- Is the risk that the real value of a member's account falls. This could be by failing to achieve an adequate amount of return to grow a member's account at least in line with price inflation.

- Is managed by the provision of funds investing in asset classes offering the prospect of growth in excess of inflation.

Missed opportunity risk

- The risk that a member takes insufficient investment risk when they are able to do so, resulting in a smaller investment account at retirement.

- Is managed by the provision of lifecycle strategies which aim to automatically adjust a member's risk exposure by term to retirement.

Pension conversion risk

- For a member who intends to purchase an annuity at retirement, the risk that the value of their account falls relative to the cost of purchasing the annuity, resulting in a reduced pension.

- Is managed by the provision of long index-linked gilt, fixed coupon gilt, and corporate bond funds as well as a lifecycle arrangement.

• The Trustees undertake to monitor these risks on a regular basis.

4. Defined Contribution Section default option

- As at September 2020 the Defined Contribution Section's default option was the Drawdown Lifecycle strategy; a change having been made from the Annuity Lifecycle in April 2019.

- The objective of the Drawdown Lifecycle is to provide those members who do not actively make their own investment choice with an investment strategy that aims to provide:

  - Long term growth whilst a member is at least 20 years from retirement and can accept a reasonable level of risk.

  - A reduction in risk once a member is within 20 years of retirement whilst maintaining the prospect of growth over the medium term by gradually increasing the diversification of the underlying investments.

  - A further reduction in risk as a member approaches retirement, with investments made in a diversified range of asset classes intended to be broadly appropriate for a member wishing to utilise income drawdown at retirement.

- The Drawdown Lifecycle aims to achieve the above by investing in a number of funds as follows:

  - Investing wholly in global equities whilst a member is at least 20 years from retirement, split 30% in the UK and 70% overseas.

  - The global equities are passively managed by BlackRock and the return is expected to closely match that of global stock markets as measured by a composite benchmark made up of 30% FTSE All-Share Index, 60% FTSE All-World Developed (ex-UK) Index (hedged to GBP) and 10% MSCI Emerging Markets Index.

  - Gradually increasing the diversification of the underlying investments during the period that a member is between 20 and 10 years from retirement by partly switching out of global equities so that, when a member is 10 years from retirement, they are invested equally in passively managed global equities and a diversified growth fund.

  - The global equities are passively managed by BlackRock and the return is expected to closely match that of global stock markets (see above). The diversified growth fund is managed by Legal & General Investment Management and aims to achieve a return of 3.5% per annum above the London Interbank Offered Rate (LIBOR).

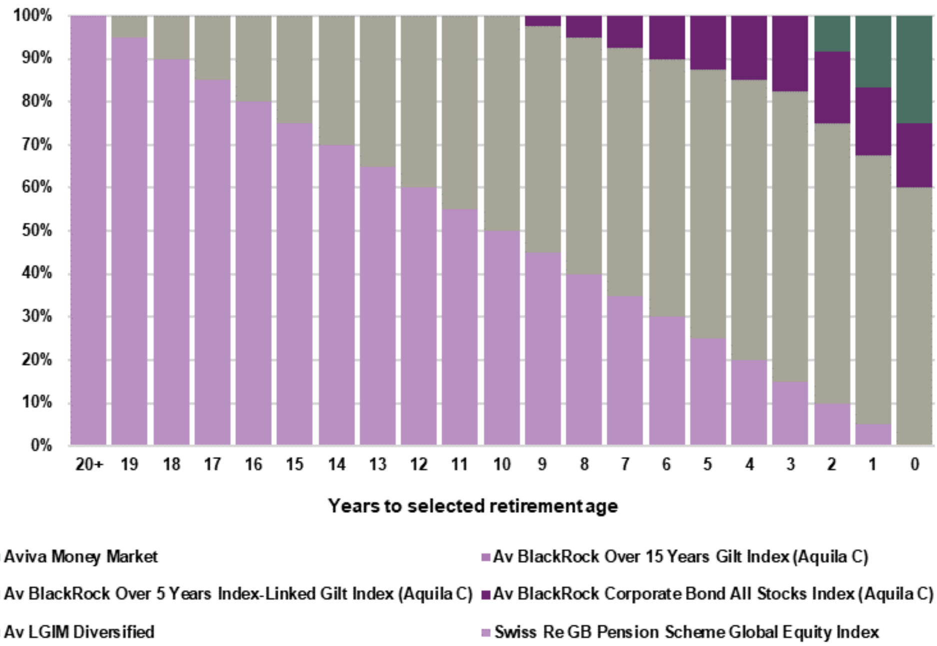
  - Switching to a mixture of cash, corporate bonds and the diversified growth fund during the 10 years immediately preceding a member's retirement so that on retirement, they are invested25% in cash, 10% in corporate bonds, and 65% in the diversified growth fund. In relation to this phase of the Drawdown Lifecycle:

    - The corporate bonds are passively managed by BlackRock and the return is expected to closely match the iBoxx £ Non-Gilts Index

    - The diversified growth fund is managed by Legal & General Investment Management and aims to achieve a return of 3.5% per annum above LIBOR (see above).

    - Cash is managed by Aviva and the return is expected to be in line with the 7 Day London Interbank Bid Rate (LIBID).

- The glide-path for the Drawdown Lifecycle strategy is set out below:



To ensure assets in the default investment option are invested in the best interests of members and beneficiaries, the Trustees conducted a strategic review of the Scheme's membership and investment options in 2013, which was supplemented by an additional review in 2015 to address the 'freedom and choice' reforms which granted members greater flexibility at retirement. The Trustees considered a variety of demographic variables, to better understand the risk profile of the membership and members' likely retirement decisions. Based on this understanding of the membership, a default investment option that targets annuity purchase at retirement was considered appropriate at the time.

A further review of the Scheme's membership and investment options concluded in 2018. The Trustees agreed to restructure the Drawdown Lifecycle and change the default investment option from the Annuity Lifecycle to the new Drawdown Lifecycle. The changes were implemented in April 2019, with all members more than three years from retirement at that time transitioned to the new Drawdown Lifecycle. Members within three years of retirement remained in the Annuity Lifecycle.

The Trustees will continue to review the default option at least triennially, or sooner if there are material changes to the membership. In addition, members are supported by clear communications regarding the aims of the default option and the access to alternative investment options.

Appendix A

Defined Contribution Section: alternative lifecycles

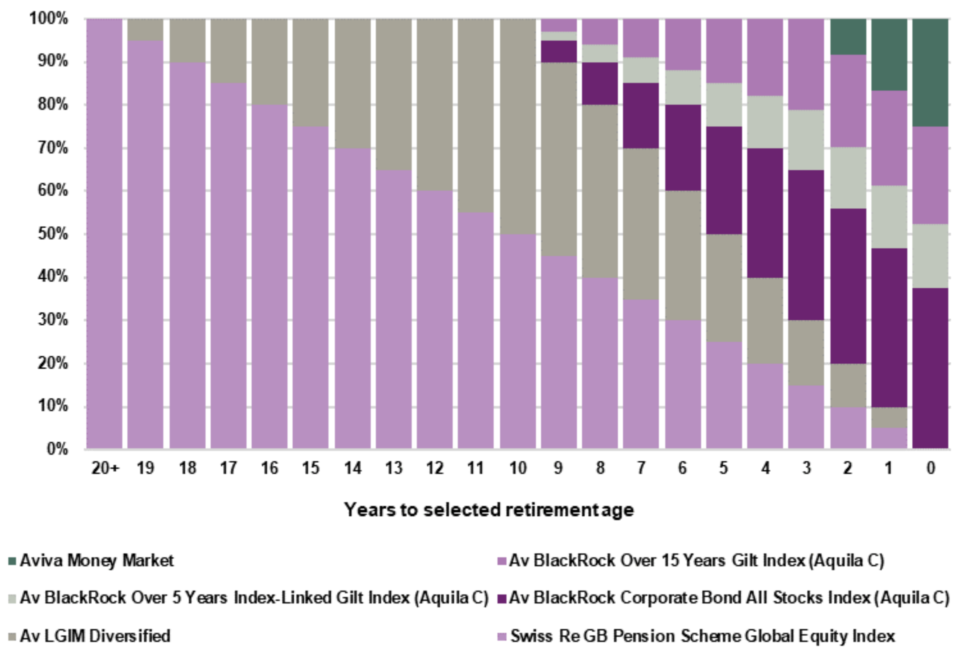
- The Annuity Lifecycle
- The Lump Sum Lifecycle

  - Both lifecycles aim to provide long term growth whilst a member is at least 20 years from retirement and can accept a reasonable level of risk.

  - Both lifecycles then deliver a reduction in risk once a member is within 20 years of retirement whilst maintaining the prospect of growth over the medium term by gradually increasing the diversification of the underlying investments.

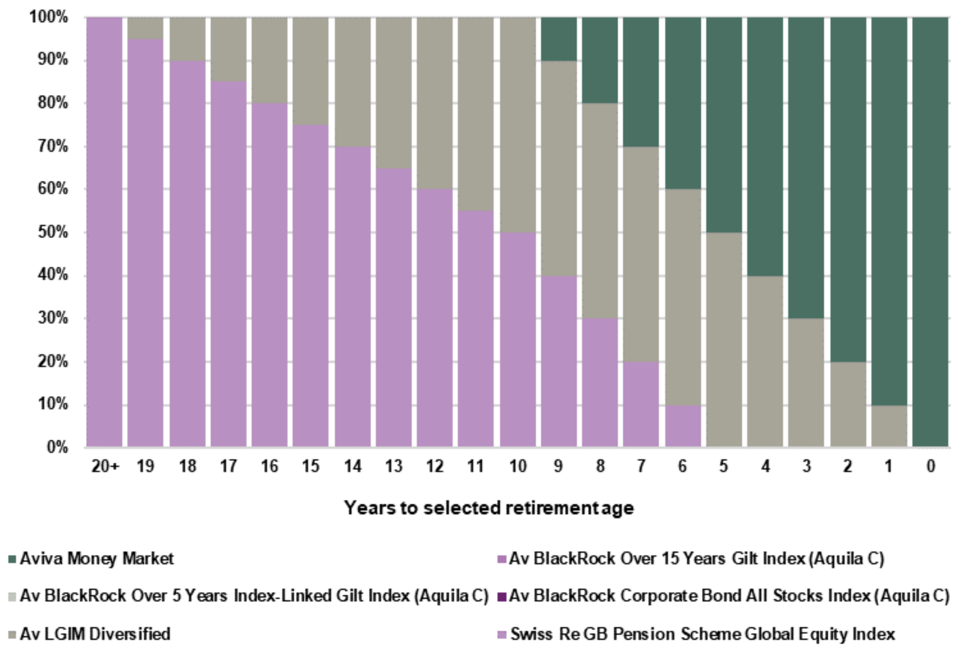
  - The Annuity Lifecycle then aims to deliver a further reduction in risk as a member approaches retirement, with investments made in a mixture of cash, corporate bonds and UK government gilts (both fixed coupon and index-linked), to offer a degree of protection against changes in annuity prices..

  - The glide-path for the Annuity Lifecycle strategy is set out below:



  - The Lump Sum Lifecycle by contrast does not explicitly allocate to corporate bonds and UK government gilts, and instead significantly increases the level of cash a member holds as they approach retirement to mitigate short term risks to the capital value of their savings, on the assumption the member will draw a lump sum at retirement.

The glide-path for the Lump Sum Lifecycle strategy is set out below:



Defined Contribution Section: self-select fund range

Funds	Benchmarks
Equities:	
Artemis UK Special Situations	FTSE All Share Index
BlackRock European Equity Index	FTSE All-World Developed Europe (ex-UK) Index
Swiss Re GB Global Equity (BlackRock Global (30:70) Equity Index)	Weighted performance using relevant indices 30% UK, 60% FTSE All-World Developed ex-UK Index and 10% MSCI Emerging Markets Index
BlackRock Japan Equity Index	FTSE All-World Japan Index
BlackRock Pacific Rim Equity Index	FTSE All-World Developed Asia Pacific (ex- Japan) Index
BlackRock UK Equity Index	FTSE All Share Index
BlackRock US Equity Index	FTSE All-World USA Index

Funds	Benchmarks
BlackRock World Ex-UK Equity Index	FTSE All-World Developed (ex-UK) Index
HSBC Islamic Global Equity Índex	Dow Jones Islamic Titans 100 Index (Total Return)
Jupiter Ecology	FTSE World Index
Schroders QEP Emerging Market Equity	MSCI Emerging Markets Net Total Return Index
Stewart Investors Global Emerging Market Leaders	MSCI Emerging Markets Net Total Return Index
Veritas Global Focus	MSCI World NDR Index
Bonds:	
BlackRock All Stocks Corporate Bond Index	iBoxx £ Non-Gilts.
BlackRock > 15 Year Gilt Index	FTSE UK Gilts Over 15 Years Index
BlackRock >5 Year Index-Linked Gilt Index	FTSE UK Gilts Index-Linked Over 5 Years Index
M&G Corporate Bond	iBoxx Sterling Corporates Index
Diversified:	
LGIM Diversified	LIBOR + 3.5%
Property:	
Threadneedle Property	CAPS Property Median
Cash:	
Aviva Money Market	3 month LIBID