AVIVA

Statement of Investment Principles

Aviva Master Trust

Summary

Introduction

Aviva Master Trust ('the Scheme') is designed for multiple employers but delivered under a single trust arrangement and governed by a Board of Trustees, chaired by Elizabeth Renshaw-Ames. A specialist independent investment adviser (Isio), legal advisers (Squire Patton Boggs and Sackers), scheme accountant (RSM) and statutory auditor (Crowe) make up the team of experts that supports the Trustees to deliver strong governance standards.

This Statement of Investment Principles ("the Statement") states the investment principles governing decisions about investments for the purposes of the Scheme, a defined contribution pension arrangement made up of a number of employer-specific sections registered with HMRC under Finance Act 2004. It has been produced by the Trustees of the Scheme in compliance with section 35 of the Pensions Act 1995 and any relevant subsequent legislation.

The Statement will be made available to all participating employers prior to selecting the Scheme. All advice the Trustees receive regarding investment options for an employer section will make reference to the Statement and indicate how the principles defined within it have been addressed. It will also consider the appropriateness of fees and charges payable by members of the Scheme.

Separately, the Trustees produce an Implementation Statement each year which sets out how they have acted on the principles set out in the version of the Statement that applied during the relevant year, in particular in relation to Environmental, Social and Governance (ESG) factors. A copy of the most recent Implementation Statement can be found online, at the web address: https://library.aviva.com/tridion/documents/view/sp991091.pdf

Policy for choosing investments

The Scheme invests through investment policies with Aviva in pooled funds accessed via the Aviva investment platform. It offers a large, diverse range of pooled funds which can be selected by members of each section of the Scheme. In agreeing to this arrangement, the Trustees have specified that the Scheme's fund range should:

- include choices suitable for members of different ages and with different retirement benefit plans.
- be designed to deliver long-term positive returns taking account of a number of different risks.
- seek, where possible, to mitigate the risks described below.
- be suitable for employers regardless of their industry or size.
- include options suited for use as default investment options, as required by automatic enrolment legislation.
- include options where ESG considerations are integrated into the investment process.

The day-to-day management of the Scheme's assets is ultimately delegated to one or more investment managers via insurance contracts or investment management agreements.

The Scheme offers a standard and alternative default investment option, for which the Trustees receive advice from its specialist independent investment adviser. In addition, employers are able to take independent advice and should they wish, establish their own bespoke default investment option or other investment options. The Trustees remain responsible for the establishment and ongoing governance of all these investment options.

Details of the standard and alternative default investment options for the Scheme are contained in Appendix 1.

Where the Trustees have established a bespoke default investment option and/or fund range, details are contained in a separate “Employer Specific” document which can be found in Appendix 2.

Risks

For all sections of the Scheme, the Trustees will consider how best to safeguard members from the risks associated with investing their pension savings. The following list summarises some of the key risks and how the fund range is designed to mitigate these:

Inflation – Taking the fund range as a whole it is expected that the performance of member funds should protect the real value of their pension savings over an appropriate time horizon.

Shortfall – Although the Trustees have no influence over the level of contributions paid, members may potentially receive a lower retirement benefit than they had hoped for. The Trustees will inform members annually of the projected value of their pension account at retirement in order to inform their decision making.

Performance ups and downs – Those funds which have a chance of achieving higher returns for members are likely to have greater volatility over shorter time periods. An appropriate level of risk for a specific default investment option will be considered against the profile of the membership.

Pension conversion – For members approaching retirement, the impact of poor performance is significantly increased as they have less time to make up any lost money. Default investment options may factor in a de-risking mechanism such as lifestyling that recognises the changing requirements of members as they approach retirement, for example with a greater focus on capital preservation and reduced volatility.

Manager – There is no guarantee that any fund within the default investment option or self-select range will achieve its long-term objective. The Trustees will continue to monitor the funds and managers available to Scheme members to try and minimise this risk as much as is practically possible.

Diversification – Failure to diversify increases the risk of losing money if one particular investment does not perform as expected. A default investment option will need to contain an appropriate level of diversification.

Liquidity – Some investment types are not easy to sell (for example, real estate), potentially resulting in a delay in buying or selling assets. The use of investments that may have liquidity issues will be restricted unless this risk is specifically managed.

Credit – The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation, either directly or indirectly. The Scheme is subject to credit risk through its investment policy with Aviva, and through the underlying investments in the underlying funds. Aviva is regulated by the Prudential Regulation Authority and the Financial Conduct Authority and, in the event of default by Aviva, the Scheme is protected by the Financial Services Compensation Scheme. The Trustees monitor the financial strength of Aviva and the security of the Scheme assets in conjunction with their specialist independent investment adviser.

Market – The funds offered by the Scheme may be subject to a number of market risks depending on their portfolio characteristics:

- Currency risk: the risk that the value of a fund will fluctuate because of changes in foreign currency exchange rates.
- Interest rate risk: the risk that the value of a fund will fluctuate because of changes in interest rates.
- Other price risk: the risk that the value of a fund will fluctuate because of changes in market prices (other than those arising from currency or interest rate risk), whether these changes are caused by factors specific to the individual fund assets or their issuers, or factors affecting all similar assets traded in the market.

Environmental, Social and Governance Factors – Management of investments with regard to Environmental, Social and Governance (ESG) factors, including but not limited to climate change, can impact performance and member outcomes. The Trustees have formulated their own set of ESG beliefs as detailed in the Trustees’ ‘Environmental, Social and Governance Policy Statement’ which is set out in Appendix 3. The Trustees have carried out a detailed process to formulate their beliefs and to reflect the importance they believe ESG factors should play in the Scheme’s investment strategy decisions. The Trustees’ ESG beliefs and Policy Statement are reviewed on a regular basis.

The day-to-day management of the underlying investments is the responsibility of the underlying fund managers, including the direct management of credit and market risks. The Trustees monitor the Scheme's investment options and the fund managers on a regular basis, with the help from its specialist independent investment adviser. The Trustees, with assistance from Aviva and their investment advisers, also oversee the voting and engagement activity of the Scheme's fund managers, in order to ensure their managers are acting in line with the Trustees' ESG beliefs and policies.

The Department for Work & Pensions (DWP) has introduced additional climate-specific legislation, whereby from 1 October 2021, the Trustees are required to have in place an effective governance framework on how to address climate-related risks within the Scheme; carry out climate scenario analysis; and monitor climate-specific ESG metrics. The Trustees will be preparing a separate report covering these new requirements in due course.

The Expected Return on Investments

The overarching objective for the Scheme is to deliver long term positive returns, after charges, taking account of the risks described above.

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

Realisation of Investments

The Scheme invests in pooled funds which can be quickly realised as required, under normal market conditions.

Financially Material Considerations and Stewardship Policy

The Trustees have considered how financially material considerations, including ESG factors (which include climate change), are taken into account in the selection, retention, realisation and monitoring of the Scheme's investment options over the appropriate time horizon applicable to members invested in those options.

As the Scheme invests via pooled funds, this means that the Trustees have delegated responsibility for the selection, retention and realisation of investments to the underlying fund managers of those funds (within certain guidelines and restrictions) and the Trustees' approach to managing financially material considerations is limited by the nature of those pooled funds.

- For passively managed funds, the Trustees recognise that the role of the manager is to track an index and the choice of index will dictate the assets held. The Trustees will periodically review the indices used for this purpose.
- For actively managed funds (where the fund manager decides where to invest) fund managers are expected to take financially material considerations into account when deciding on the selection, retention and realisation of investments where permissible within the applicable guidelines and instructions.

The Trustees also delegate exercise of the rights (including voting rights) attaching to the investments to the individual fund managers. Fund managers are expected to:

- exercise the voting rights attached to individual investments; and
- engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to improve corporate behaviours, improve performance and mitigate financial risks in accordance with their own house policy.

The Trustees have developed an ESG Policy which has been integrated into monitoring the Scheme's investment arrangements. This policy is provided in Appendix 3 and is reviewed by the Trustees on a regular basis. The Trustees believe that by including ESG factors in investment decision making, it will reduce overall investment risks whilst generating sustainable investment returns over the long-term.

The Trustees additionally recognise the importance of offering a suitable range of investment options for members who wish to express an ethical preference in their pension savings. The Trustees may take non-financial factors into account in the self-select investment options and in bespoke default investment options, where this is in compliance with the Trustees' legal duties. The basis on which such factors are taken into account would be made clear in the description of such funds.

Environmental, Social and Governance (ESG) factors

The Trustees engage with Aviva and the fund managers on the integration of ESG into the Scheme's investments and how this can be improved.

The Trustees have adopted Aviva's My Future Focus as the standard default investment option for the Scheme. The My Future Focus solution integrates ESG factors into its design and ongoing management, with the use of ESG factors in stock selection in the actively managed investments and the application of an ESG focussed tilt on the passive regional equity investments, together with active voting and engagement.

In addition, the Scheme's alternative default investment option ('Aviva My Future') was updated in April 2021 to incorporate an ESG portfolio into the equity allocation of the strategy.

The Scheme also offers an additional ethical Lifestyle option and a range of funds incorporating both ESG and non-financial factors as part of the self-select fund range.

The Trustees expect to further develop the level of ESG integration within the default investment options and funds offered by the Scheme.

The Trustees are aware that some of the bespoke default investment options do not currently explicitly integrate ESG considerations. The Trustees are looking to address this over the next year in conjunction with the respective investment advisers.

On behalf of the Trustees, Aviva has developed additional reporting on specific ESG metrics so that the Trustees can measure the development of ESG considerations within the overall investment arrangements.

Arrangements with fund managers

The Scheme invests in pooled funds managed by one or more investment managers.

The Trustees select such funds with an expectation of a long-term appointment and ensuring that the investment objectives and guidelines of the fund are consistent with the Trustees' investment policies.

The Scheme's investments will be regularly monitored by the Trustees (with the assistance of its specialist independent investment adviser) over an appropriate time horizon, to consider the extent to which the investment strategy and decisions of the Scheme's fund managers are aligned with the Trustees' policies. This includes monitoring:

- the extent to which fund managers make decisions based on assessments about medium- to long-term performance of an issuer of debt or equity;
- the managers' approach to engagement with issuers of debt or equity in order to improve their performance in the medium- to long-term;
- the managers' approach to ESG integration (particularly in respect of climate change risk), their voting and engagement activity and alignment with the Trustees' policies in this area; and
- the managers' fees and costs including those related to portfolio turnover.

Fund managers are remunerated based on the value of assets which they manage for the Scheme and while there is no set duration for arrangements with fund managers, they can be replaced at any time by the Trustees. The duration of the existing manager relationships is summarised in Aviva's quarterly reporting prepared for the Trustees. Where fund managers fail to adhere to the Scheme's policies, the Trustees work with Aviva and engage with the manager to discuss how alignment may be improved. If, following engagement with the manager, it is the view of the Trustees that the degree of alignment remains unsatisfactory, the arrangements with the manager may be altered or their appointment terminated where this is deemed necessary.

Compliance

The Statement will be reviewed triennially by the Trustees and without delay following any significant change in the Trustees' investment policy.

In preparing the Statement, the Trustees have obtained and considered the written advice of a person who is reasonably believed by the Trustees to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of pension arrangements such as the Scheme. The Trustees have consulted with Aviva Life and Pensions UK Limited ("Aviva") as sponsoring employer and the company appointed to act on behalf of the participating employers to the Scheme.

Before revising the Statement at any time in the future, the Trustees will obtain and consider the written advice of a specialist independent investment adviser and will consult with Aviva.

Signature Elizabeth Renshaw-Ames

Position: Chair of Trustees

Name: Elizabeth Renshaw-Ames

Date: 25 October 2021

Appendix 1 – Sections adopting the Scheme's Standard/Alternative/Additional Default Investment Options

Investment Objectives

The Trustees' overall objective is to provide investment options that enable members to grow their pension savings after charges over the long term, and to manage risks appropriately.

The default investment options, as described below, are expected to meet this objective and also take into account guidance from the Pensions Regulator and the Department for Work & Pensions for offering a default investment option for defined contribution automatic enrolment pension schemes.

Furthermore, the Trustees believe that the self-select funds offered as an alternative to the default investment options enable members to choose their own portfolio of funds which would achieve the overall objective.

Default Investment Options

The Scheme provides the following default investment options:

Standard Default Investment Option

- A standard default investment option is provided which will apply for all sections where employers have not requested an alternative or bespoke default investment option.

Alternative Default Investment Option

- An alternative default investment option is available that employers can request that the Trustees invest in.

Bespoke Default Investment Options

- A small number of employers have decided to implement a bespoke default investment option in respect of their employees, rather than utilising the standard or alternative default investment options. For these bespoke default investment options, the employer and the Trustees receive advice on the suitability of that bespoke default investment option.

Additional Default Investment Options

- The Scheme also incorporates additional default investment options which were created following the suspension of certain property funds and following the transfer of benefits from certain single employer schemes into the Scheme. In such cases, the members have been transferred to these additional default investment options on a non-consent basis.

Standard Default Investment Option

The Trustees have designated Aviva's My Future Focus strategy as the standard default investment option for members, and this will be used as the default investment option by participating employers who do not request that the Trustees implement an alternative default investment option or bespoke default investment option.

The My Future Focus strategy is structured as a framework comprising 1 'universal' lifestyle and 3 lifestyles targeting annuity purchase, cash withdrawal and drawdown. The 'universal' lifestyle for My Future Focus has been designed to cater for the broad range of different member profiles within the Scheme and is therefore generally adopted as the default investment option for employers adopting the standard default investment option.

The My Future Focus universal Lifestyle invests in the Aviva My Future Focus Growth Fund during the growth phase of the lifestyle strategy. During the pre-retirement phase, starting 10 years away from retirement, members' assets are phased such that the exposure to the Aviva My Future Focus Growth Fund is reduced and exposure to the Aviva My Future Focus Consolidation Fund is increased. At retirement, a member will be 100% invested in the Aviva My Future Focus Consolidation Fund.

Alternative Default Investment Option

The Trustees have also designated Aviva's My Future strategy as an alternative default investment option which employers may request that the Trustees invest in.

The My Future strategy is structured as a framework comprising 1 'universal' lifestyle and 3 lifestyles targeting annuity purchase, cash withdrawal and drawdown. The 'universal' lifestyle for My Future has been designed to cater for the broad range of different member profiles within the Scheme and is therefore generally adopted as the default investment option for employers adopting the alternative default investment option.

The My Future universal Lifestyle invests in the Aviva My Future Growth Fund during the growth phase of the lifestyle strategy. During the pre-retirement phase, starting 15 years away from retirement, members' assets are phased such that the exposure to the Aviva My Future Growth Fund is reduced and exposure to the Aviva My Future Consolidation Fund is increased. At retirement, a member will be 100% invested in the Aviva My Future Consolidation Fund.

Bespoke Default Investment Options

Where the Trustees agree to establish a bespoke default investment option and/or fund range for an employer, details are contained in a separate "Employer Specific" document within Appendix 2.

Additional Default Investment Options

There are a number of additional funds and a lifestyle strategy which are considered as, and therefore governed as, default investment options for the reasons set out below.

1. Fund Suspensions:

Market conditions affecting property funds have led to a cash fund being considered and therefore governed as a default investment option. This has been triggered by a self-select property fund being suspended to new monies and withdrawals and members being moved without their consent to a cash fund. Details of the default investment option created are shown in the table below:

Name of Additional Default Investment Option	Aims and objectives
Aviva Pension BlackRock Sterling Liquidity	This fund invests in short-term money market instruments, such as certificates of deposit, with the aim of maintaining capital and ensuring its underlying assets can easily be bought or sold in normal market conditions. The fund is designed to provide members with a secure short-term investment for their contributions.

2. Transfer of members' assets from Single Employer Occupational Schemes:

The default investment options that have resulted from transferring members previously invested in self-select funds and a lifestyle option to equivalent funds and lifestyle option within the Scheme without their consent are shown below (together with aims and objectives):

Name of Additional Default Investment Option	Aims and objectives
Aviva Pension BlackRock World ex UK Equity Index Tracker	This fund aims to achieve returns in line with global equity markets, excluding the UK. Within each of those markets, the fund aims to generate returns consistent with those of each country's primary share market by investing in the shares of companies listed in those markets. The fund is designed to provide members with exposure to global equities, with a risk and return profile and objective that is consistent with the fund from which they were mapped.
Aviva Pension BlackRock UK Equity Index Tracker	This fund invests in the shares of UK companies and aims to achieve a return that is consistent with the return of the FTSE All-Share Index. The fund is designed to provide members with exposure to UK equities, with a risk and return profile and objective that is consistent with the fund from which they were mapped.
Aviva Pension BlackRock (Aquila C) Market Advantage	This fund invests in a range of asset classes, including company shares, bonds and cash, with the aim of providing returns that are on a par with a 60% global equity/40% bond portfolio over a market cycle, with approximately 40% less risk than the 60/40 portfolio and less downside exposure during extreme market conditions. The fund is designed to provide members with exposure to a range of different asset classes, with a risk and return profile and objective that is consistent with the fund from which they were mapped.
Aviva Pension BlackRock All Stocks UK Gilt Index Tracker	This fund invests in UK Government bonds (gilts) and aims to achieve a return consistent with the FTSE UK Gilts All Stocks Index. The fund is designed to provide members with exposure to UK government bonds, with a risk and return profile and objective that is consistent with the fund from which they were mapped.

Name of Additional Default Investment Option	Aims and objectives
Aviva Pension BlackRock Emerging Markets Equity (Aquila C)	The fund invests in the shares of companies listed in emerging market countries and aims to achieve a return that is consistent with the return of the MSCI Emerging Markets Index. The fund is designed to provide members with exposure to emerging market equities, with a risk and return profile and objective that is consistent with the fund from which they were mapped.
Aviva Pension Baillie Gifford Managed	This fund invests in a combination of company shares, bonds and cash, with a minimum of 60% in shares and 10% in bonds and cash with the aim of achieving capital growth. The fund is designed to provide members with exposure to a range of different asset classes, with a risk and return profile and objective that is consistent with the fund from which they were mapped.
Aviva Pension BlackRock Corporate Bond All Stocks Index Tracker	This fund invests in investment grade corporate bonds denominated in Sterling and aims to achieve a return consistent with the Markit iBoxx £ Non-Gilts Index. The fund is designed to provide members with exposure to sterling corporate bonds, with a risk and return profile and objective that is consistent with the fund from which they were mapped.
My Future Annuity Lifestyle	This lifestyle is intended for members who wish to convert their pension savings into a regular guaranteed income for life by buying an annuity when they retire. This lifestyle invests in the Aviva My Future Growth Fund during the growth phase. During the pre-retirement phase, starting 15 years away from retirement, members' assets are phased such that the exposure to the Aviva My Future Growth Fund is reduced and exposure to the Aviva My Future Consolidation Fund is increased. At 5 years away from retirement, a member will be 100% invested in the Aviva My Future Consolidation Fund. Members' assets are then moved into the Aviva My Future Annuity Fund so that at retirement a member will be 100% invested in the My Future Annuity Fund.
Aviva Pension My Future Growth	This fund aims to provide long term growth through exposure to a range of asset classes, including company shares, bonds and cash. The fund targets an annualised level of volatility of 12% over the long-term. The fund is designed to provide members with exposure to a range of different asset classes, with a risk and return profile and objective that is consistent with the fund from which they were mapped.
Aviva Pension My Future Consolidation	This fund aims to provide growth with a reduced level of risk through exposure to a range of asset classes, including company shares, bonds and cash. The fund targets an annualised level of volatility of 4% over the long-term. The fund is designed to provide members with exposure to a range of different asset classes, with a risk and return profile and objective that is consistent with the fund from which they were mapped.
Aviva Pension My Future Focus Growth	This fund aims to provide long term growth through exposure to a range of asset classes, that include company shares, bonds, cash, and property. The fund targets volatility of 75% of Global Equities (as measured on a rolling 5 years basis). The fund is designed to provide members with exposure to a range of different asset classes, with a risk and return profile and objective that is consistent with the fund from which they were mapped.
Aviva Pension My Future Focus Consolidation	This fund aims to provide growth with a reduced level of risk through exposure to a range of asset classes, that include company shares, bonds, cash and property. The fund targets volatility of 25% of Global Equities (as measured on a rolling 5 years basis). The fund is designed to provide members with exposure to a range of different asset classes, with a risk and return profile and objective that is consistent with the fund from which they were mapped.

Aims and objectives of Default Investment Options

The Trustees' wider investment policy and considerations as disclosed throughout this Statement apply to the design and construction of the default investment options.

In selecting the default investment options under the Scheme to ensure that assets are invested in the best interests of members, the Trustees, in conjunction with their investment advisers, gave in-depth consideration to the demographic profile and expected member behaviour together with the retirement outcome needs and the risk tolerance of the membership. In addition, where relevant, consideration was given to the funds previously chosen by members and the similarity between the objectives of the Scheme's fund options and those of the member's most recent active fund choice. Due consideration was also given to compliance with the charge cap.

Review of Default Investment Options

The Trustees will continue to obtain ongoing advice from their investment advisers relating to the ongoing suitability of the default investment options outlined in this Appendix.

The retirement outcome choices reflected in the design of the default investment options will be reviewed at least triennially or earlier in the event of any significant changes in the investment policy or member demographics. The review will take into account the manner in which members take their pension savings from the Scheme and any significant changes in the demographic profile of the relevant members.

Other Lifestyle Options and Self-Select Funds

Both the standard (My Future Focus) and the alternative default investment option (My Future) are structured as frameworks comprising 3 lifestyles targeting annuity purchase, cash withdrawal and drawdown and 1 'universal' lifestyle.

The 'universal' lifestyles in My Future Focus and My Future are adopted as the default strategies (except where otherwise stated above), but members can choose to invest in any of the other 3 lifestyles instead.

An ethical lifestyle option, the Aviva Stewardship Lifetime strategy, is also made available for members to select.

The self-select fund options encompass a wider range of asset classes including equity, fixed income and multi-asset funds, with both passively and actively managed options available to members. In addition, the Stewardship range of funds which provide members with options incorporating both ethical and ESG principles in their design and management are available.

Appendix 2 - Sections with Bespoke Default Investment Options
C&J Clark Section of the Scheme

This Appendix is for the C&J Clark Section of the Aviva Master Trust. The Trustees have taken advice from Isio on the suitability of the investment strategy for this section.

Investment Objectives

The main investment objectives are:

- to include a suitable default option that is likely to be suitable for a typical member
- to include a range of alternative choices suitable for members of different ages and with different retirement benefit plans and objectives
- to enable members to grow their savings above inflation over the long term
- to seek, where possible, to mitigate the risks described in this statement

Default Investment Option

A default option has been selected for the C&J Clark Section, and has been designed to be suitable for a typical member. The default has been chosen taking account of:

- The kinds of investments to be held
- The balance between different kinds of investments
- Investment risks
- The expected return on investments
- Realisation of investments
- Socially responsible investment requirements
- The desire to be a reasonably close match to the default investment options used in the two previous pension schemes from which members in the C&J Clark Section transferred when the Section was implemented

This default option invests in the Clarks Growth Fund during the growth phase of the lifestyle strategy.

During the transition phase, starting 20 years away from retirement, members' assets are phased such that the exposure to the Clarks Growth Fund is reduced and exposure to the Clarks Retirement Transition Fund is increased. At the point 10 years from retirement, a member will be 100% invested in the Clarks Retirement Transition Fund.

During the pre-retirement phase, starting 10 years away from retirement, members' assets are phased such that the exposure to the Clarks Retirement Transition Fund is reduced and exposure to the Clarks Target Drawdown Fund and Clarks Cash Fund is increased. At retirement, a member will be 40% invested in the Clarks Target Drawdown Fund and 60% invested in the Clarks Target Cash Fund.

The default option has been constructed so as to be suitable for members in light of the flexibilities available to members once they reach retirement.

The default investment lifestyle strategy will be reviewed at least triennially or earlier in the event of any significant changes in the investment policy or member demographics. The review will take into account the manner in which members take their pension savings from the Section and any significant changes in the demographic profile of the relevant members.

Self-Select Options

In addition to the default the members can choose from the full range of self-select fund options offered through the standard section of the Scheme, as well as a number of additional funds.

L'Oréal Section of the Scheme

This Appendix is for the L'Oréal Section of the Aviva Master Trust. The Trustees have taken advice from Hymans Robertson LLP on the suitability of the investment strategy for this section.

Investment Objectives

The main investment objectives are:

- Ensure that the Plan has effective investment performance monitoring
- Ensure that the default investment strategy offered is suitable for the Plan's membership
- Ensure that the plan offers other investment funds that are suitable for the membership
- Ensure best practice investment governance

Default Investment Option

A default option has been selected for the L'Oréal Section, and has been designed to be suitable for a typical member. The default has been chosen taking account of:

- The kinds of investments to be held
- The balance between different kinds of investments
- Investment risks
- The expected return on investments
- Realisation of investments
- The expectation of how members will take their benefits at retirement
- The integration of ESG factors into the investments

Based on analysis of retirements in the L'Oréal Section since 2018 and the current average pot size for members over the age of 55, it is expected that members will take a one-off cash lump sum or UFPLS.

The objective of the default investment solution is to provide an appropriate investment strategy for members who do not wish to make an investment choice for themselves.

Up until 20 years from the member's selected retirement date, their contributions are invested in the L'Oréal Growth Blend, which aims to grow the value of the member's pension pot over time.

From 20 years to the selected retirement date, the strategy gradually moves members' savings into the L'Oréal Diversified Blend fund and then, from 4 years before the selected retirement date, the My Future Cash Lump Sum Fund, with the aim of preparing members' pots for being taken as a cash lump sum at retirement. Members' pension pots are invested 25% in the L'Oréal Diversified Blend Fund and 75% in the My Future Cash Lump Sum at the member's selected retirement date.

Self-Select Options

In addition to the default the members can choose from a range of 39 self-select fund options.

There is also an alternative lifestyle that members can choose to invest in, known as the L'Oréal - Adventurous Strategy. The building blocks of the L'Oréal– Adventurous Strategy are the same as the default strategy but a higher level of risk is targeted earlier on in the glidepath and drawdown is targeted at retirement instead of cash.

Mott MacDonald Section of the Scheme

This Appendix is for the Mott MacDonald Group Section of the Aviva Master Trust. The Trustees have taken advice from Lane Clark & Peacock LLP on the suitability of the investment strategy for this section.

Investment Objectives

The main investment objectives are to provide members with access to:

- an appropriate range of investment options, reflecting the membership profile and the variety of ways that members can draw their benefits in retirement; and
- a default investment option that is reasonable for those members that do not wish to make their own investment decisions. The objective of the default option is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement.

Default Investment Option

A default option has been selected for the Mott MacDonald Group Section and has been designed to be suitable for a typical member. The default has been chosen taking account of:

- The kinds of investments to be held;
- The balance between different kinds of investments;
- Investment risks;
- The expected return on investments; and
- Realisation of investments.

The default investment strategy targets income drawdown at retirement which is the retirement option most members are likely to take. The strategy consists of four white labelled funds, each determined by the underlying asset classes. The strategy aims to provide strong growth in early years when members can take on more risk, by investing in the LIP Global Equity Fund.

Investment changes to the default lifestyle were implemented between March and July 2021. There were three main changes;

- reducing the length of the de-risking phase from 30 years to 20 years to retirement;
- amending the composition of the LIP Global Equity Fund to reduce the UK bias and increase the exposure to overseas equities; and
- changing the LIP Cash Fund to include a 50% allocation to short-dated bonds and re-naming this to the LIP Liquidity Fund.

From 20 years before the member's selected retirement date the strategy then aims to reduce investment risk while maintaining a reasonable level of growth consistent with a drawdown strategy. It aims to achieve this by investing in the LIP Diversified Fund and reducing the allocation to the LIP Global Equity Fund.

From 8 and 3 years before the selected retirement date, allocations to the LIP Bond Fund and LIP Liquidity Fund (previously the LIP Cash Fund) are, respectively, introduced, further reducing the allocation to the LIP Global Equity Fund. At the member's selected retirement date, the strategy is invested 15% in the LIP Global Equity Fund; 50% in the LIP Diversified Fund; 10% in the LIP Bond Fund; and 25% in the LIP Liquidity Fund.

Self-Select Options

In addition to the default the members can choose from a range of self-select fund options.

WM Morrison Supermarkets Section of the Scheme

This Appendix is for the WM Morrison Supermarkets Section of the Aviva Master Trust. The Trustees have taken advice from Lane Clark & Peacock LLP (LCP) on the suitability of the investment strategy for this section.

Investment Objectives

The main investment objectives are to provide members with access to:

- an appropriate range of investment options, reflecting the membership profile and the variety of ways that members can draw their benefits in retirement; and
- a default investment option that is reasonable for those members that do not wish to make their own investment decisions. The objective of the default option is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement.

Default Investment Option

A default option has been selected for the WM Morrison Supermarkets Section and has been designed to be suitable for a typical member. The default has been chosen taking account of:

- The kinds of investments to be held
- The balance between different kinds of investments
- Investment risks
- The expected return on investments
- Realisation of investments

Following advice provided by LCP on 13 July 2020, it was agreed that the default strategy should continue to target cash withdrawal. This advice was based on summary membership information provided by Aviva covering the period up to 31 March 2020. Analysis of this information continues to suggest that most members expected to retire within the next 10 years will have a projected pot of less than £30,000 and evidence from other DC schemes suggested that pension pots of this size are more likely to be taken entirely as cash by members at retirement. In addition, the analysis showed that the membership is likely to have a relatively high-risk tolerance, because of the younger overall age profile and small pot sizes/average salaries.

The default investment strategy comprises of two white-labelled funds; the Morrisons Growth Fund and the Morrisons Pre-Retirement Fund, together with the BlackRock Sterling Liquidity Fund. The strategy aims to provide strong growth in early years when members can take on more risk by investing in the Morrisons Growth Fund. From 15 years before the members' selected retirement date, the strategy then aims to reduce investment risk by investing in the Morrisons Pre-Retirement Fund while reducing the allocation to the Morrisons Growth Fund. From 3 years before the selected retirement date, an allocation to the BlackRock Sterling Liquidity Fund is introduced, further reducing the allocation to the Morrisons Growth Fund. At the member's selected retirement date, the strategy is invested 100% invested in the BlackRock Sterling Liquidity Fund.

Self-Select Options

In addition to the default the members can choose from a range of self-select fund options.

The Morrisons Governance Group decided that members would be able to select from the full self-select fund range as governed by the Aviva Master Trust Trustees; no bespoke self-select fund range was put in place, other than to exclude the components of Aviva's "off-the-shelf" lifestyle strategies from the self-select fund range.

Christian Aid Section of the Scheme

This Appendix is for the Christian Aid Section of the Aviva Master Trust. The Trustees have taken advice from Isio on the suitability of the investment strategy for this section.

Investment Objectives

The main investment objectives are to provide members with access to:

- a default investment option that is reasonable for those members that do not wish to make their own investment decisions and which meets the needs of Christian Aid's membership; and
- an appropriate range of self-select options for members who wish to design their own investment strategy.

Default Investment Option

A default investment option has been selected for the Christian Aid Section which is suitable for members who do not wish to make an investment choice. The default has been chosen taking account of:

- The need to generate returns above inflation while members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement
- Broad alignment with the aims and principles of Christian Aid
- The consideration of environmental, social and governance (ESG) factors

The default investment option is the Stewardship Lifetime Strategy, which comprises of 3 Stewardship funds - International Equity, Managed and Bond. The Stewardship funds seek to exclude companies that do not meet certain ethical standards or that harm society or the environment while investing in companies based on forming a view of a company's approach to managing the ESG risks it faces, reflecting the belief that a company that considers ESG in all its activities by its nature will generate more sustainable revenues and profits over the long term.

This strategy invests in the Stewardship International Equity and Stewardship Managed Funds during the growth phase. During the pre-retirement phase, starting 10 years away from retirement, members' assets are phased such that the exposure to the Stewardship International Equity and Managed Funds is reduced and exposure to the Stewardship Bond Fund is introduced. At retirement a member will be 50% invested in the Stewardship Managed Fund and 50% in the Stewardship Bond Fund.

Barnett Waddingham Section of the Scheme

This Appendix is for the Barnett Waddingham Section of the Aviva Master Trust. The Trustees have taken advice from Isio on the suitability of the investment strategy for this section.

Investment Objectives

The main investment objectives are to provide members with access to:

- a default investment option that is suitable for those members that do not wish to make their own investment decisions, reflecting the membership profile and how members are expected to draw their benefits in retirement; and
- an appropriate range of self-select options for members who wish to design their own investment strategy.

Default Investment Option

A default investment option has been selected for the Barnett Waddingham Section which is suitable for members who do not wish to make an investment choice. The default has been chosen taking account of:

- The kinds of investments to be held
- The balance between different kinds of investments
- Investment risks
- The expected return on investments
- Realisation of investments
- The expectation of how members will take their benefits at retirement
- The consideration of environmental, social and governance (ESG) factors

Based on analysis of the Section's membership, it is expected that a drawdown approach is the most likely basis on which benefits will be taken in future and is expected to be suitable for the majority of members.

The default investment option is the My Future Focus Target Drawdown Lifestyle, which comprises the My Future Focus Growth and My Future Focus Drawdown Funds.

The My Future Focus Target Drawdown Lifestyle invests in the Aviva My Future Focus Growth Fund during the growth phase of the lifestyle strategy. During the pre-retirement phase, starting 10 years away from retirement, members' assets are phased such that the exposure to the Aviva My Future Focus Growth Fund is reduced and exposure to the Aviva My Future Focus Drawdown Fund is increased. At retirement, a member will be 100% invested in the Aviva My Future Focus Drawdown Fund.

Self-Select Options

In addition to the default the members can choose from the full range of self-select fund options offered through the standard section of the Scheme.

Appendix 3 - Aviva Master Trust Environmental, Social and Governance Policy Statement

1. Introduction

This Environmental, Social and Governance ("ESG") Policy Statement ("the Policy") has been prepared by the Trustees of the Aviva Master Trust ("the Scheme") to set out their views on ESG factors (including climate change). It considers how they are addressed whilst meeting the overall objectives of the Scheme's investment strategy, as set out in the Statement of Investment Principles ("SIP"), and as outlined in the Trustees' Mission Statement & Strategic Objectives.

Responsible Investment is the term that the Trustees use to define an approach to investing that aims to incorporate ESG factors into investment decisions, to better manage risk and generate long-term, sustainable returns for members of the Scheme over the time horizons applicable to their membership.

The purpose of the Policy is to sit alongside the Scheme's SIP, formalising the Trustees' beliefs on ESG factors as discussed with their legal and investment advisers. The Policy provides a reference point for the Trustees for incorporating ESG factors into investment decision making. It covers those factors that are considered to have a financial impact on investment values, but not non-financial ones such as members' ethical views.

2. Rationale for the Policy

The Scheme is designed for multiple employers, but delivered under a single trust arrangement and governed by a Trustee Board investing on behalf of members.

As part of their duties, which includes a comprehensive approach to risk management, the Trustees recognise the need for the Scheme to be a long-term, responsible stakeholder.

By taking an active approach to include ESG factors in investment decision making, the Trustees believe they will reduce overall investment risks whilst generating sustainable investment returns.

The Department for Work & Pensions ("DWP") has expanded the scope of regulations to improve disclosure of Trustees' policies on factors financially material to their investment decision making, including ESG factors and climate change. The Trustees are required to include in the SIP their policies on how they take account of these factors, and are also required to prepare an annual implementation statement to communicate to members how, and the extent to which, these polices set out in the SIP have been followed during the year.

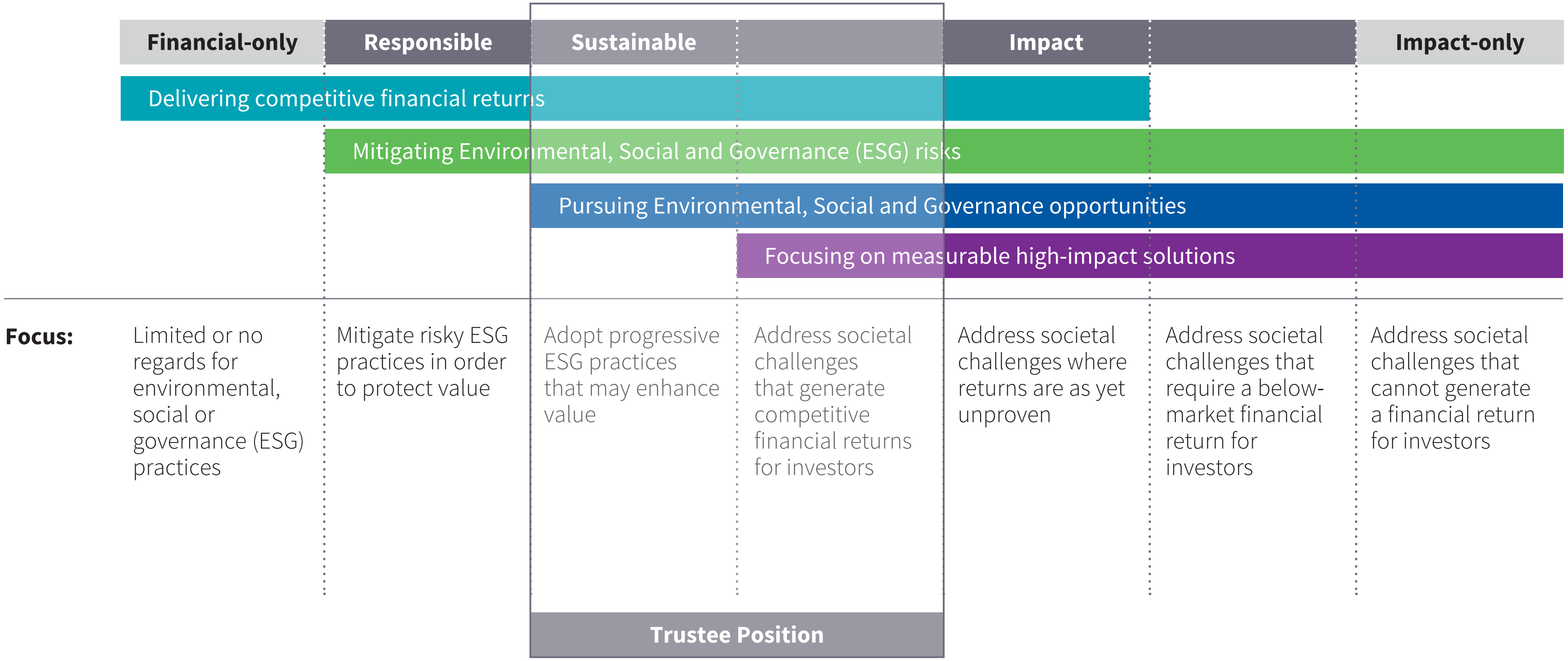
Furthermore, the DWP has introduced additional climate-specific legislation, whereby from 1 October 2021, the Trustees are required to have in place an effective governance framework on how to address climate-related risks within the Scheme; carry out climate scenario analysis; and monitor climate-specific ESG metrics. At the publication of the first set of Report & Accounts post this date, the Scheme will need to produce a report in accordance with the Task Force on Climate-Related Financial Disclosures ("TCFD"). There are numerous governance requirements on the Trustees in order to comply with the TCFD regulations. The Trustees have ensured the requirements of TCFD have also been taken into account when reviewing their ESG beliefs and this Policy.

3. Process undertaken in agreeing the ESG policy

The Trustees first established a separate ESG policy and set of beliefs which was effective from 9 September 2019. Reflecting the importance to the Trustees of properly integrating ESG within the Scheme's investments, this policy and beliefs are kept under regular review with the latest review undertaken in the first half of 2021.

The Trustees have mapped their beliefs against the Bridges Spectrum of Capital (a widely-used industry benchmark for aligning investment beliefs to various approaches to ESG investing). The illustration below sets out the different approaches that can be taken.

The Trustees' aspiration is for the Scheme to pursue a "sustainable" investment approach that integrates ESG in investment decision making in order to generate more sustainable long-term investment returns. The Trustees also agreed that the Scheme should seek to invest in a way which is likely to generate a positive and measurable environmental or societal impact whilst generating competitive financial returns. The Trustees' position is indicated on the Bridges Spectrum of Capital below.



Source: Bridges Fund management

4. The Trustees' ESG beliefs

The Trustees agreed to the following set of ESG beliefs:

1. The Trustees believe that integrating ESG factors, including climate change, into the Aviva Master Trust's investment arrangements will lead to better outcomes for members, both through a higher investment return and also better management of risk.
2. ESG factors which are considered to be financially material should be integrated into the overall management of the default investment options. The Trustees' aspiration is to reflect ESG across as many of the asset classes as possible within the default investment options.
3. The self-select range should include ESG-based funds which reflect the diversity of approaches that may appeal to the Aviva Master Trust's membership.
4. The Trustees believe that fund managers should properly integrate ESG within their overall decision making – this applies for the default investment options as well as the self-select funds.
5. The Trustees believe that it is important to actively monitor key ESG metrics to understand the impact of their investments and to assess improvements over time.
6. Asset managers should take a positive stance to ESG when they vote and engage on behalf of the Trustees, in order to support the Trustees' belief that better integration of ESG will lead to improved member outcomes.
7. Asset managers should be actively engaging and collaborating with other market participants to raise ESG investment standards and facilitate best practices.

The Trustees continue to work with their advisers and Aviva (as sponsor and provider of the investment platform) to implement these beliefs most appropriately within the Scheme's investment strategy.

The Trustees are aware that some of the bespoke default investment options do not currently explicitly integrate ESG considerations. The Trustees are looking to address this over the next year in conjunction with the respective investment advisers.

5. Impact of the Policy on investment decision making and the investment strategy

The Trustees decide the range of funds to be offered within the Scheme and the design of the default investment options.

With regards to the design of the default investment options, the Trustees look to ensure that the funds making up the default investment options integrate ESG into the investment decision making process where permissible within applicable guidelines and restrictions. In addition, the Trustees take into consideration any potential impact on fees/member charges which could arise as a result of further ESG integration into the default investment options.

Furthermore, the Trustees look to offer a lifestyle option (the Stewardship Lifestyle) comprised of specialist funds which invest according to enhanced sustainable and/or responsible investment themes only, for those members seeking further integration.

The Trustees' aim is to ensure that all funds available through the Scheme have considered ESG and have a clear approach and framework for managing these factors. The Trustees also look to offer specialist funds which invest according to enhanced sustainable and/or responsible investment themes for the major asset classes where available, as self-select specialist funds that are available for members.

In appointing and reviewing the Scheme's asset managers, the Trustees, with the assistance of its adviser, should consider, monitor and challenge their approach to ESG.

This will include gathering data on specific ESG metrics (in order to assess managers' progress over time against Trustee defined targets) and also monitoring and engaging with managers over their voting and engagement activities (to ensure managers are acting in accordance with the Trustees' ESG Policy and beliefs). In terms of managers' voting activity, the Trustees will seek to receive data/information on key votes cast and the outcomes of these votes as part of their regular reporting. The Trustees will also obtain verbal updates from the investment managers as part of Investment Committee meetings in order to understand, challenge and influence the process the managers take in casting votes on behalf of the Scheme and its members, and to ensure that managers are voting in line with the Trustees' own policies.

6. Implementing the Policy

The Trustees will consider the following steps when implementing their ESG beliefs and policy into the Scheme's investments:

Investment Approach

a) The Trustees' preference is for ESG factors to be fully integrated throughout the Scheme's investments. From the Trustees' perspective, integrating ESG factors means that investment decision making ensures that companies have a robust approach to the full range of ESG issues. For example: Environmental factors include climate change and sustainability policies; Social factors include gender diversity and supply chain policies; and Governance factors include board structure and executive remuneration.

b) The default investment options will continue to be reviewed to ensure all financially material (including ESG) risks are managed appropriately.

c) The self-select range will continue to be reviewed to ensure there is appropriate availability of ESG funds and specialist funds which invest according to enhanced sustainable and/or responsible investment themes.

d) As part of the Scheme's annual/triennial strategy reviews, the Trustees will review each of the Scheme's asset managers' approach to ESG. The Trustees and their advisers will review and challenge the asset managers on their approach in order to ensure all asset managers are making investment decisions in line with the Trustees' own ESG beliefs and this Policy.

e) ESG beliefs will be formally reviewed triennially or more frequently if required by the Trustees or by legislative or regulatory change.

Sponsor/member consultation

f) The Trustees will consult with Aviva on ESG issues and on the ongoing improvement of the Scheme's default investment options and available self-select options. Aviva will be expected to share its own knowledge and experience on ESG integration, in order to improve the overall offering to members.

g) Where possible and appropriate, the Trustees will seek out and reflect the views of the Scheme membership in respect of ESG integration.

Metrics and targets

h) The Trustees will obtain data on key ESG metrics from Aviva Investors and the Scheme's other investment managers, in order to ensure ongoing compliance with any required legislation.

i) Metrics data will also be used to evidence the investment managers' compliance with the Trustees' ESG Policy and Beliefs. These metrics should be included in the managers' regular ongoing reporting. The Trustees expect to see evidence that improvements to the ESG score of the portfolios are being made.

j) To assist in the production of TCFD disclosures, the Trustees will initially focus on the collection of climate-based metrics and will communicate specific targets to their managers.

k) However, the Trustees recognise the importance to assess the Scheme's investments against all areas of ESG (and not just focus on Environmental/climate change). Therefore, the Trustees will also ask managers to report on key metrics covering Social factors (e.g. gender diversity; supply chain policies) and Governance factors (e.g. board diversity; executive pay; CSR strategy).

l) The Trustees will also obtain updates from the investment managers on their voting and engagement activity. This will be formally documented in the annual SIP Implementation Statement but the Trustees will also request data on votes cast to be included within regular reporting.

Ongoing compliance

m) As ESG issues are dynamic and continually evolving, the Trustees will ensure they continue to develop their understanding of ESG factors through training and experience.

n) The Trustees, with support from their advisers, will remain up to date and compliant with any latest developments, both from a product perspective in the market, but also from a regulatory/legislative perspective.

o) In particular, the Trustees will work with their advisers and Aviva to ensure the Scheme produces annual reporting in accordance with TCFD requirements.

p) The Trustees will also consider whether to sign the Scheme up to a recognised ESG framework/body, in order to enhance ESG knowledge and encourage wider investor collaboration.

The Trustees are aware that some of the bespoke default investment options do not currently explicitly integrate ESG considerations. The Trustees are looking to address this over the next year in conjunction with the respective investment advisers.

7. Monitoring and reviewing the Policy

The Trustees will monitor the Scheme's assets against this Policy on an ongoing basis, with the assistance of its investment adviser. The development of the Policy is viewed as an ongoing process, with the Trustees reviewing the Policy periodically in line with the SIP. When reviewing the Policy, the Trustees will take account of any significant developments in the market.