

Eton College Employees (1972) Pension and Life Assurance Scheme

Statement of Investment Principles

Date prepared: November 2023

1. Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustees of the Eton College Employees (1972) Pension and Life Assurance Scheme (the Scheme). This Statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:
 - the Pensions Act 1995, as amended by the Pensions Act 2004;
 - the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010;
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018; and
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2. In preparing this Statement the Trustees have consulted The Provost and Fellows of Eton College, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultant. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.
- 1.3. This Statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.
- 1.4. The Trustees will review this Statement at least every three years or if there is a significant change in any of the areas covered by the Statement.
- 1.5. The investment powers of the Trustees are set out in Clause 10 of the Definitive Trust Deed & Rules, dated 6 October 2015. This Statement is consistent with those powers.

2. Choosing investments

- 2.1. The Trustees' policy is to set the overall investment target and then monitor the performance of their investment managers against that target. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.
- 2.2. The day-to-day management of the Scheme's assets is delegated to one or more investment managers. The Scheme's investment managers are detailed in the Appendix to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority and are responsible for stock selection and the exercise of voting rights.
- 2.3. The Trustees review the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustees will also consult the Employer before amending the investment strategy.

3. Investment objectives

- 3.1. The Trustees have discussed key investment objectives in light of an analysis of the Scheme's liability profile as well as the constraints the Trustees face in achieving these objectives. As a result, the Trustees' main investment objectives are:

- To ensure that the Scheme can meet the members' entitlements under the Trust Deed and Rules as they fall due.
- To manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's required contribution levels.
- To take account of the long-term risks, including those relating to non-financial factors, when making investment decisions.

3.2. The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities. The Trustees have obtained exposure to investments that they expect will meet the Scheme's objectives as best as possible.

4. Kinds of investments to be held

- 4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives.
- 4.2. No investment in Employer-related investments is allowed.

5. The balance between different kinds of investments

- 5.1. The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within the Appendix to this Statement.
- 5.2. From time to time the Scheme may hold cash and therefore deviate from its strategic asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.

6. Risks

- 6.1. The Trustees have considered the following risks to the Scheme with regard to its investment policy and the Scheme's liabilities, alongside considering ways of managing and monitoring these risks.

Risk versus the liabilities	The Trustees will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.
Asset allocation risk	The asset allocation is detailed in the Appendix to this Statement and is monitored on a regular basis by the Trustees.
Investment manager risk	The Trustees monitor the performance of each of the Scheme's investment managers on a regular basis, in addition to having meetings with each manager from time to time as necessary. The Trustees have a written agreement with each investment manager, which contains a number of restrictions on how each manager may operate.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.

Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (for example, default risk, operational errors or fraud). Each investment manager is responsible for monitoring counterparty credit risk and evaluating counterparty credit quality on a continuous basis.
Liquidity risk	The Scheme invests in assets such that there is expected to be a sufficient allocation to liquid investments that can be converted into cash at short notice, given the Scheme's cashflow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
Covenant risk	The creditworthiness of the Employer and the size of the pension liability relative to the Employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the Employer covenant.
Solvency and mismatching	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.
Currency risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
Derivatives	The investment managers may use derivatives to implement strategy decisions within the pooled funds. No gearing is allowed.
Governance risk	Each investment manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the investment managers' practices in their annual Implementation Statement.
ESG/Climate risk	The Trustees have considered long-term financial risks to the Scheme and have determined that environmental, social and governance (ESG) factors, as well as climate risk, are potentially financially material. The Trustees will continue to develop their policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.

7. Expected return on investments

- 7.1. 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 professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.
- 7.2. The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

- 7.3. In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.
- 7.4. Having established the investment strategy, the Trustees monitor the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position. The Trustees meet the Scheme's investment managers as frequently as is appropriate in order to review performance.

8. Realisation of investments

- 8.1. The Trustees have delegated the responsibility for buying and selling investments to the investment managers. The Trustees have considered the risk of liquidity as referred to above.
- 8.2. Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustees are aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

9. Environmental, Social and Governance factors, Engagement and Voting Rights

- 9.1. The Trustees have set policies in relation to these matters. These policies are set out in Appendix 3.

10. Agreement

- 10.1. This Statement was agreed by the Trustees and replaces any previous versions of the Statement. This Statement has been made available on a publicly accessible website.

Date agreed: 13 November 2023

On behalf of the Trustees of the Eton College Employees (1972) Pension and Life Assurance Scheme

Appendix 1 Notes on the investment policy of the Scheme as at November 2023 in relation to the current Statement of Investment Principles

1. Choosing investments

The Trustees have appointed Columbia Threadneedle Investments (CT) as investment manager to carry out the day-to-day investment of the Scheme's assets. The investment strategy consists of the following funds:

Benchmark		Objective
CPI		Benchmark + 4% (before fees) over 3 to 5 years
CT Cashflow Matching (Credit Only) LDI Fund	No official benchmark <i>Reference index: ICE BofA Sterling Non-Gilt Index</i>	To provide exposure to credit markets through physical corporate and government bond holdings in order to generate cashflows that match the future cashflows of a typical pension scheme's liability profile, as determined by the manager
CT Regular Profile Unleveraged Nominal Gilt Fund		To provide a hedge against fixed liabilities
CT Short Profile Unleveraged Real Gilt Fund	A typical pension fund's liability profile, as determined by the manager	To provide a hedge against inflation-linked liabilities
CT Regular Profile Unleveraged Real Gilt Fund		To provide a hedge against inflation-linked liabilities

The performance of the investment manager will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring considers both short-term and long-term performance.

Additional Voluntary Contributions

The Trustees also have AVC contracts with Phoenix Life Assurance Limited, Utmost Life and Pensions Limited and Standard Life Assurance Limited for the receipt of members' Additional Voluntary Contributions (AVCs).

The AVC providers are authorised and regulated by the Financial Conduct Authority.

The AVC arrangement is reviewed from time to time.

2. The balance between different kinds of investments

The Scheme has a strategic asset allocation as set out in the table below, which has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification.

Portfolio	Asset class	Allocation (%)
Return-seeking portfolio	Diversified growth	25.0
	<i>CT Dynamic Real Return Fund</i>	25.0
	Corporate bonds	25.0
	<i>CT Cashflow Matching (Credit Only) LDI Fund</i>	25.0
Protection portfolio	Gilts	50.0
	<i>CT Regular Profile Unleveraged Nominal Gilt Fund</i>	17.5
	<i>CT Short Profile Unleveraged Real Gilt Fund</i>	10.0
	<i>CT Regular Profile Unleveraged Real Gilt Fund</i>	22.5
Total		100.0

3. Fee agreements

The fee arrangements with the investment managers are summarised below:

Investment manager	Fund	Annual Management Charge
Columbia Threadneedle	Dynamic Real Return Fund	0.35% p.a.
	Cashflow Matching (Credit Only) LDI Fund	0.125% p.a. on the first £50m
	Profile Unleveraged Gilt Funds	0.08% p.a. on the first £15m 0.06% p.a. on the next £35m

The Trustees have appointed Barnett Waddingham LLP to advise on investment matters. Barnett Waddingham are normally remunerated on a time-cost basis, although fixed fees may be agreed for specific tasks.

4. Investments and disinvestments

Investments and disinvestments are typically made so as to closer align the balance between the return-seeking and protection portfolios with the strategic benchmark. The Trustees typically consider whether to rebalance between the funds when they review investment performance.

Appendix 2 Investment consultancy objectives

The purpose of this Appendix is to set out the objectives agreed between the Trustees of the Scheme and Barnett Waddingham for the purposes of the provision of investment consultancy services by Barnett Waddingham to the Trustees in respect of the Scheme.

This Appendix gives consideration to the requirements of The Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022 (the “Regulations”), which bring into pensions legislation the requirements of the Investment Consultancy and Fiduciary Management Market Investigation Order 2019 (made by the Competition and Markets Authority on 10 June 2019).

The Trustees acknowledge the following requirements in relation to the objectives:

- **Objectives review:** The Trustees are required to review the objectives every three years (and without delay after any significant change in investment policy).
- **Performance review:** The Trustees are required to review the performance of their investment consultancy provider against the agreed objectives at least every 12 months.

Investment consultancy objectives for Barnett Waddingham

Provision of high quality, clearly communicated advice in a timely fashion.

Advice on the design of the investment strategy such that it is consistent with the Trustees’ aims, beliefs and constraints.

Assisting the Trustees in selecting and reviewing managers and/or funds.

Arranging the implementation of asset transfers and management of cashflow in an efficient manner.

Advising the Trustees of any actions required to ensure compliance with regulations.

Appendix 3 Environmental, Social and Governance factors, Engagement and Voting Rights

Financially material considerations

The Trustees consider that factors such as environmental, social and governance (ESG) issues (including, but not limited to, climate change) will be financially material for the Scheme over the length of time during which the benefits provided by the Scheme for members require to be funded to a level which would allow the benefits to be bought out with an insurer. This is likely to be not less than five years from the date of this Statement of Investment Principles.

Trustees' policy

The Trustees' policy on these matters, including engagement and the exercise of voting rights, is set out below. Through their consultation with the Employer when setting this Statement of Investment Principles, the Trustees have made the Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them. The Trustees have regard to the Employers' policy on these matters and review their approach periodically.

The Trustees have elected to invest the Scheme's assets through pooled funds. The choice of underlying funds is made by the Trustees after taking advice from their investment consultant. The Trustees, and the investment managers of the underlying funds, take ESG factors into account (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments.

The Trustees take those factors into account in the selection and retention of investments as follows:

- When selecting investment managers, the Trustees may assess the managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals.
- The Trustees will monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.

The Scheme's investment managers are expected to ultimately act in the best interests of the Scheme's assets to maximise returns for a given level of risk. The Trustees will be reliant on the information presented by the investment managers and their investment consultant regarding the extent to which a manager allows for ESG in making their investment decisions. Furthermore, an investment manager's excellence in this area will not take precedence over other factors, including (but not limited to) performance or fees. The Trustees may take these factors into account as part of the Scheme's investment process to determine a strategic asset allocation and consider them as part of ongoing reviews of the Scheme's investments.

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

- Receive, where considered necessary, training to understand the key issues around ESG factors and latest developments;
- Assess, as part of their regular review of managers, the managers' approaches to ESG issues within each mandate; and
- Consider a manager's approach to ESG as part of new manager selection exercises, where appropriate.

Non-financially material considerations

The Trustees have not included any non-financial matters (such as ethical views) as constraints when setting investment strategy and/or reviewing investment managers. The Trustees do not take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme (referred to as "non-financial matters" in the relevant Regulations) in the selection, retention and realisation of investments.

The exercise of voting rights

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

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

The Trustees believe that good stewardship and positive engagement can lead to improved governance and better risk-adjusted investor returns. The investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustees will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustees may engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

The Scheme's investment managers are signatories of the UK Stewardship Code.

Engagement activities

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

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

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

The Trustees also consider it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate

risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

In selecting and reviewing their investment managers, where appropriate, the Trustees will consider the managers' policies on engagement and how those policies have been implemented. Should an investment manager be failing in these respects, this should be captured in the Scheme's performance monitoring.

Conflicts policy

The Scheme's investment consultant is independent and no arm of its business provides asset management services. This, and Barnett Waddingham's FCA Regulated status, makes the Trustees confident that the investment manager recommendations it makes are free from conflicts of interest.

The Trustees expect all investment managers to have a conflict-of-interest policy in relation to their engagement and ongoing operations. In doing so, the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment managers and conflicts of interest between the Trustees, managers and the investee companies.

Aligning the investment strategy and decisions of the investment managers with the Trustees' investment policies

Prior to appointing an investment manager, the Trustees may consider the investment manager's approach to the management of ESG and climate related risks with the manager and/or the Scheme's investment consultant, and consider how they are aligned with the Trustees' own investment aims, beliefs and constraints.

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

The Trustees will monitor the investment managers' approach to ESG and climate related risks on an annual basis.

In the event that the investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be reviewed.

Investment managers' ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment managers from time to time as deemed appropriate.

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

The Trustees are mindful that the impact of ESG and climate change may be of a long-term nature. However, the Trustees recognise that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustees have acknowledged this in their investment management arrangements.

When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over an agreed predetermined rolling timeframe. The Trustees believe the use of rolling timeframes, typically three to five years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon.

The Trustees expect investment managers to be voting and engaging on behalf of the Scheme's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short-term targets.

Method and time horizon for assessing performance

The Trustees monitor the performance of their investment managers over medium to long-term time periods that are predetermined and consistent with the Trustees' investment aims, beliefs and constraints.

The Scheme invests solely in pooled funds. The investment managers are remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful investment by the investment manager, they receive more and, as values fall, they receive less.

The Trustees believe that this fee structure enables the investment managers to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

The Trustees ask the Scheme's investment consultant to assess if the investment management fee is in line with the market when the manager is selected, and the appropriateness of the investment management charges are considered every three years as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the half-yearly investment monitoring process.

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

Duration of arrangements with investment managers

The Scheme's assets are invested in open-ended pooled funds. Therefore, there are no predetermined terms of agreement with the investment managers.

The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment aims, beliefs and constraints is assessed periodically, or when changes deem it appropriate to do so. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed. The Scheme first invested with Columbia Threadneedle in May 2018.