Statement of Investment Principles

CEMEX UK Executives' Pension Fund

August 2023

1. INTRODUCTION

This document constitutes the Statement of Investment Principles (the SIP) required under Section 35 of the Pensions Act 1995 (the 'Act') for the CEMEX UK Executives' Pension Fund (the Fund). It describes the investment policy, guidelines and procedures being pursued by the Trustee of the Fund which the Trustee believes are in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK (the 'Myners Principles'). This SIP has also been drafted in a manner to reflect the requirements of The Occupational Pension Schemes (Investment) Regulations 2005.

In accordance with the Act, the Trustee confirms that, before preparing the SIP, it has obtained and considered written advice from their appointed Investment Advisers, SEI Investments (Europe) Limited (SEI) and has consulted with CEMEX Investments Ltd (the Principal Employer of the Fund). The Scheme Actuary has also been consulted to ensure that the potential returns available from the investment strategy remain consistent with the assumptions the Trustee has adopted for determination of the Fund's Statutory Funding Objective and the associated Recovery Plan to repair any funding shortfall.

The Trustee believes SEI, in their capacity as Investment Adviser, is qualified by their ability and practical experience of financial matters and has appropriate knowledge and experience of the investment arrangements that the Fund requires.

The Trustee is responsible for the investment of the Fund's assets and arranges the administration of the Fund. Where it is required to make an investment decision, the Trustee first receives and considers advice from SEI: it believes that this ensures that it is appropriately familiar with the issues concerned.

In accordance with the Financial Services and Markets Act 2000 (FSMA), the Trustee is responsible for setting a general investment policy, but has delegated the day-to-day investment of the Fund's assets to the Investment Manager.

The Investment Manager (SEI) is authorised and regulated by the Financial Conduct Authority (FCA) and provides the expertise necessary to manage the investments of the Fund.

In respect of Additional Voluntary Contributions ("AVCs") the Trustee has selected a range of investment funds with Standard Life Investments and Baillie Gifford Investment Management for the AVCs to be invested in.

Declaration

The Trustee confirms that this SIP reflects the investment strategy it has implemented for the Fund. The Trustee acknowledges that it is its responsibility, with guidance from its Investment Adviser, to ensure the assets of the Fund are invested in accordance with these principles.

Signed *Approved by the Trustee* . . . . Date *19.09.2023* . . . .

For and on behalf of the Trustee of the CEMEX UK Executives' Pension Fund.

2. FUND GOVERNANCE

The Trustee is responsible for the governance and investment of the Fund's assets. The Trustee considers the governance structure set out in this SIP to be appropriate for the Fund as it allows the Trustee to make the important decisions on investment policy, whilst delegating the day-to-day aspects of investment management of the Defined Benefit (DB) section to the Investment Manager. The responsibilities of each of the parties involved in the Fund's governance are detailed in Appendix A.

3. INVESTMENT OBJECTIVES

The Trustee's primary objectives in respect of the defined benefit ("DB") assets are:

- To make sure that, together with contributions from the Principal Employer, the assets can meet the Fund's obligations to the beneficiaries of the Fund;
- To strike an acceptable balance between the stability of funding and the long-term cost of benefit provision; and
- To achieve, over the long term, a rate of investment return sufficient to outperform the growth of the Fund's liabilities and reach full funding on an appropriate basis while only taking the level of risk required to achieve this objective with a reasonable degree of certainty.

The Trustee has determined that an appropriate rate of investment return to meet these objectives is 1.65% per annum in excess of the return on UK government gilts. Such rate of return may be adjusted by the Trustee from time to time. The Trustee has engaged with its advisers to ensure that excessive risk will not be taken in achieving this level of investment return. The Trustee had taken account of the financial strength of the Principal Employer together with the security that the Fund enjoys from an Asset Backed Funding vehicle (ABF) established by the Principal Employer for the benefit of the Fund.

4. INVESTMENT STRATEGY

4.1 General Policies

The Trustee's approach to investment strategy is to allocate the assets into the following broad asset categories in order to meet the investment objectives:

- Liability Driven Investments (LDI) - these investments exist in the portfolio to manage risk relative to the liabilities. Assets in this pool are those which tend to mirror the liabilities by nature and/or term such as fixed interest gilts, index-linked gilts, and liability driven derivative overlays such as interest rate and inflation swaps.
- Growth Assets - these investments exist in the portfolio to generate return relative to the liabilities. Assets in this pool include:

- Equities
- Credit and Alternative Assets:
  Assets in this pool consist of, but are not limited, to investment grade bonds, property, infrastructure, emerging market debt, high yield bonds, commodities, structured credit instruments and hedge funds.

The Trustee's investment objective determines the split of assets between these components and within each component.

4.2 Asset Allocation

The Trustee recognises the importance of asset allocation to the overall investment returns achieved. However, given the approach to managing the investments set out in the previous section, the Trustee also recognises that the asset allocation will change as a result of a range of factors, which include changes in market conditions changing the allocation to different asset types.

In recognition of the risks that asset allocation can imply, there are asset allocation controls in place. These are detailed in the agreements between the Investment Manager and the Trustee (current objectives, guidelines and restrictions as of the date of this SIP are set out in Appendix B).

4.3 Return Objective

A return on investments is required which, over the long term, is expected to be consistent with the Trustee's goal of meeting the Statutory Funding Objective.

Where the Trustee has felt it appropriate, the Investment Manager has been mandated to invest actively in such a way as is expected to outperform relevant benchmark indices. The return objective of the portfolio can be found in Appendix B.

5. STRATEGY IMPLEMENTATION

SEI is appointed to invest the Fund’s assets through:

- Selecting appropriate pooled investment funds suitable for the Fund.
- Managing a segregated Liability Driven Investment (LDI) portfolio, a segregated equity portfolio and a segregated Buy and Maintain Bond portfolio.
- Defining the allocations to each investment vehicle or segregated portfolio within the guidelines in Appendix B
- Making changes and adjustments where appropriate.

The performance expectation of this process is delivery of the investment objectives set for each investment vehicle or Portfolio, as this is consistent with the overall investment objectives set out earlier in the SIP.

5.1 Mandates and Performance Targets

The Trustee has received advice on the appropriateness of the Performance Targets, benchmarks and risk tolerances from the Investment Adviser and believes them to be suitable to meet the Fund's investment objectives.

SEI has been mandated by the Trustee to manage the investments under its control, in a particular way, and details of these mandates are given in agreement under which SEI is appointed by the Trustee (the Fiduciary Management Agreement) and summarised in Appendix B.

5.2 Fiduciary Management Agreement

The Fiduciary Management Agreement sets out the scope of SEI's duties as both Investment Manager and Investment Adviser together with fees, investment restrictions and any other relevant matters in relation to the Fund.

SEI has been provided with a copy of this SIP and is aware that it is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995.

5.3 Diversification

The assets will be invested in a diverse portfolio of investments in order to reduce investment risk.

The Trustee understands the importance of diversification and, as such, the Investment Adviser is required by the Trustee to ensure the assets are properly diversified. The choice of asset classes as set out in Appendix B is designed to ensure that the Fund's investments are diversified by type and region.

The range of, and any limitation to the proportion of, the Fund's assets held in any asset class will be agreed between the Investment Adviser and the Trustee. These ranges and sets of limitations are specified in the Fiduciary Management agreement and may be revised from time to time where considered appropriate as circumstances change (details of the asset allocations and restrictions as at the date of this SIP are set out at Appendix B). The Trustee also has regard to the investment powers of the Trustee as defined in the Trust Deed.

5.4 Suitability

The Trustee has established a mandate with the specific aim of defining the asset management objective to be directly consistent with the liability driven objectives. As such, they consider the mandate to be suitable.

The Trustee has taken advice from the Fund's Investment Adviser to ensure that the assets held by the Fund and the proposed strategy is suitable given its liability profile, the Trustee's objectives, regulatory guidance and specifications in the Trust Deed.

5.5 Journey Plan

The Trustee intends to establish a Journey Plan for the purpose of de-risking the investment strategy as the Fund`s funding level changes. SEI will estimate and monitor the funding level and have been given discretionary authority to implement strategy changes as certain funding trigger points are reached. These will be outlined in Appendix E.

6. MONITORING

6.1 Investment Management

The Trustee will monitor the performance of the Investment Manager against the agreed performance objectives.

The Trustee will regularly review the activities of the Investment Manager to ensure they continue to perform in a competent manner and have the appropriate knowledge and experience to manage the assets of the Fund.

6.2 Statement of Investment Principles

The Trustee will review this SIP on a regular basis or following any changes to the investment strategy, and modify it after consultation with the Investment Adviser and the Principal Employer. There will be no obligation to change this SIP or any adviser relationship as part of such a regular review. Following any changes to the investment strategy this SIP will require updating to reflect the revised investment strategy.

6.3 Trustee

The Trustee maintains a record of all decisions taken, together with the rationale in each case.

7. RISKS

The Trustee recognises there are a number of risks involved with the investment of fund assets. The Trustee intends to adopt an investment strategy where the value of assets and liabilities are broadly aligned.

The management of investment risk is a function of the asset allocation and diversification strategies and implementation of that strategy is delegated to the Investment Adviser. The Trustee will monitor and review the Investment Manager's performance on a regular basis. Examples of some of the potential risks to the investments are set out in Appendix D.

8. OTHER ISSUES

8.1 Statutory Funding Objective

The Trustee will obtain and consider proper advice on the question of whether the investments and investment strategy are satisfactory having regard to both the investment objectives and the requirement to meet the Statutory Funding Objective. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation at least every three years.

The Trustee will consider with the Investment Adviser and the Scheme Actuary whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the Statutory Funding Objective.

8.2 Corporate Governance, Social, Environmental and Ethical Issues

The Trustee is seeking to deliver a required level of returns over the long term subject to an acceptable level of risk recognising that not all risks are rewarded. .

- **Consideration of financially material factors in investment arrangements**

Following advice from the Investment Adviser, the Trustee has adopted a policy of delegating responsibility for the consideration of environmental, social and governance (ESG) issues to the Investment Managers and their delegates. The Trustee is comfortable with the advice they have received and regard the advice on these areas as sufficient to support their investment policy. They expect the Investment Manager[s] to take account of all financially material factors, including ESG, in the selection, retention and realisation of investments. The Investment Managers will keep the Trustee up to date with their latest position on ESG factors.

As noted above, the Investment Managers are expected to take account of all financially material factors in the selection of investments. The Trustee has not made explicit allowance for the long-term risks of climate change in their investment strategy. The Trustee, and the Investment Managers, will keep this under review.

- **Consideration of non-financially material factors in investment arrangements**

The Trustee has not imposed any restrictions relating to ESG issues on their Investment Managers and there are no exclusions applied to investment arrangements based on non-financially material factors.

8.3 Realisation of Assets

It is expected that that most of the investments in the pooled funds and assets in the segregated account, can be readily realised if the Trustee so requires. All derivative transactions have appropriate collateral arrangements in place to protect the Fund against counterparty risk.

8.4 Custody

The Trustee has appointed:

- SEI as the custodian of pooled fund managed by SEI. SEI uses the back-office services of its associate, SEI Private Trust Company (SPTC) in respect of holdings in units in collective fund vehicles SPTC acts as agent for SEI's associate, SEI Global Nominee Limited who holds the client assets of SEI.

- Bank of New York Mellon in respect of assets held in the LDI, Buy and Maintain Bonds and Equity segregated portfolios.

The Trustee may use alternative arrangements for specific assets and these arrangements may be altered in the future.

8.5 Use of Derivatives

Derivatives or other financial instruments may be used to hedge the Fund's liability risks (principally interest rate, inflation and longevity risks) or other risks (e.g. equity or currency risks). In addition derivatives may be used in both the segregated portfolios or within pooled funds for the purpose of efficient portfolio management.

At any given time a minimum level of assets of sufficient liquidity and quality will be held to ensure the Fund is able to satisfy collateral or margin calls which may arise as a result of the derivatives positions it holds.

8.6 Conflicts of Interest

The Trustee will endeavour to ensure that any conflicts of interest are managed at all times in the best interests of the Fund.

8.7 Voting Stewardship & Engagement

The Fund's investments are achieved via pooled investment funds, in which the Fund's investments are pooled with those of other investors, and segregated accounts. The direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes, social, ethical or environmental factors, is delegated to SEI, or in the case of a third party pooled fund, its investment manager.

The management of the Trustee's policy in relation to the exercise of rights (including voting rights) and other engagement activities in respect of an investment is as follows:

- Voting decisions on stocks are delegated to the investment manager of the pooled fund or to SEI in respect of segregated accounts. Where this is SEI, SEI has pooled the holdings in their funds with other investors and employed a specialist ESG provider for voting and engagement services. SEI is also a signatory to the UK Stewardship Code issued by the Financial Reporting Council.

- SEI, or the investment manager of a third party pooled fund, has full discretion for undertaking engagement activities in respect of the investments:

  (a) with relevant persons (which term includes (but is not limited to) an issuer of debt or equity, an investment manager, another stakeholder or another holder of debt or equity);

  (b) about relevant matters including (but not limited to) 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.

The Trustee will document the methods by which and the circumstances under which the Trustee monitors and engages with the relevant persons about relevant matters. The Trustee has delegated the responsibility for such monitoring and engagement to SEI.

SEI will report on voting and engagement activity to the Trustee on a periodic basis together with its adherence to the UK Stewardship Code. The Trustee will consider whether the approach taken was appropriate or whether an alternative approach is necessary.

8.8 Additional Voluntary Contributions (AVCs)

Under the Fund's Trust Deed and Rules, members are allowed to invest Additional Voluntary Contributions (AVCs) in defined contribution arrangements to improve the benefits they receive at retirement. The Trustee has selected a range of investment funds for the AVCs to be invested in. The Trustee reviews these arrangements regularly having regard to their performance, the objectives and the views of the Defined Contribution Adviser, River and Mercantile.

9. Investment manager arrangements

Incentivising managers to align with Trustee's investment strategy

SEI is incentivised to align its investment strategies with the Trustee's policies mentioned in this SIP through the terms set out in the Fiduciary Management Agreement and through the Trustee setting investment objectives which are reviewed annually. The Trustee will monitor and assess performance against these investment objectives on a regular basis and has also appointed an independent adviser to assist in assessing SEI's performance. Such review will also include how well SEI is aligned with the SIP, including in terms of ESG factors and the quality of service provided.

SEI engages third party asset managers through the use of third party pooled funds, the appointment of asset managers within multi-manager pooled funds and the appointment of asset managers to manage the segregated portfolio. SEI is responsible for fee arrangements with asset managers, the costs of which are borne directly by the Fund. SEI will monitor the asset managers' performance on an ongoing basis against the particular investment strategy and objectives agreed with that manager. Where an asset manager is not performing or acting in a manner SEI feels is appropriate it may ultimately result in the termination of their mandate.

The fees paid to SEI and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the Fund.

Medium to long term and non-financial performance

Performance in the medium to long term can be improved where asset managers (i) make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity; and (ii) engage with issuers of debt or equity. The Trustee has delegated this to SEI and will monitor performance against this.

Monitoring portfolio turnover and costs

The Trustee has delegated the monitoring of the costs incurred by asset managers in the buying, selling, lending or borrowing of investments to SEI.

The Trustee recognises that portfolio turnover (being the frequency with which the assets are expected to be bought/sold) and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by SEI. However, SEI will incorporate portfolio turnover and resulting transaction costs in its advice on the Fund's investment mandates. When the Trustee agrees a particular strategy and investment mandate, this will then set an expected level of turnover and transaction costs. The Trustee reviews and monitors the actual level of the costs and turnover against this expected level.

Monitoring manager performance and remuneration

The Trustee will as indicated above, regularly monitor and review the Fiduciary Manager.. Such review will also include how well SEI is aligned with the SIP, including in terms of ESG factors and the quality of service provided. Such assessment will include a review of actual fees paid relative to expected and contractual fee levels. In terms of third party asset managers appointed by SEI, SEI will monitor the managers' performance and fees on an ongoing basis against the particular investment strategy, objectives and fee arrangements agreed with that manager.

Duration of asset manager agreements

The agreement with SEI has an indefinite term but can be terminated by the Trustee giving one month's notice. The Fund does not have any direct agreements with third party managers used by the Fund.

Appendix A- Responsibilities

Trustee

The Trustee of the Fund is responsible for, amongst other things:

i. Determining the investment objectives of the Fund and reviewing these from time to time.

ii. Agreeing an investment strategy designed to meet the investment objectives of the Fund.

iii. Reviewing regularly the content of this SIP and modifying it if deemed appropriate, in consultation with the Investment Adviser.

iv. Reviewing the suitability of the investment policy following the results of each actuarial or investment review, in consultation with the Investment Adviser.

v. Assessing the quality of the performance and process of the Investment Managers by means of regular reviews of the investment results and other information, by way of meetings and written reports.

vi. Assessing the ongoing effectiveness of the Investment Adviser.

vii. Consulting with the Principal Employer when reviewing investment policy issues.

viii. Monitoring compliance of the investment arrangements with this SIP on an ongoing basis.

ix. Advising the Investment Adviser of any changes to Fund benefits and significant changes in membership.

Investment Adviser and Investment Manager

The Investment Adviser and Investment Manager will be responsible for, amongst other things:

i. Participating with the Trustee in reviews of this SIP.

ii. Advising the Trustee how changes within the Fund's benefits, membership and funding position may affect the manner in which the assets should be invested.

iii. Advising the Trustee of changes in the investment environment that could either present opportunities or problems for the Fund.

iv. Undertaking reviews of the Fund's investment arrangements including reviews of the asset allocation policy and current funds the Fund is invested in, as appropriate.

v. At their discretion, but within any guidelines given by the Trustee, implementing changes in the asset mix and selecting and undertaking transactions in specific investments within each asset class to achieve the stated objective.

vi. Providing the Trustee with sufficient information each quarter to facilitate the review of its activities, including:

- A report of the strategy followed during the quarter.
- The rationale behind past and future strategy.

- A full valuation of the assets and a performance summary.

vii. Informing the Trustee, to the extent that the Adviser becomes aware, of:

- A breach of this SIP that has come to their attention.
- Any serious breach of internal operating procedures.
- Any material change in the knowledge and experience of those involved in managing the Fund’s investments.
- Any breach of investment restrictions agreed between the Trustee and the Investment Manager from time to time.

Scheme Actuary

The Scheme Actuary will be responsible for, amongst other things:

i. Liaising with the Investment Adviser on the suitability of the Fund’s investment strategy.

ii. Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels.

iii. Commenting on the appropriateness of the investment strategy relative to the liabilities of the Fund at the triennial valuations.

iv. Advising the Trustee,and the Investment Adviser of any changes to contribution levels and funding level.

Custodians

The Custodians will be responsible for, amongst other things:

i. Safe-keeping and administration of all the directly held assets and the pooled funds (where applicable).

ii. Collecting income from assets and transferring it to the Trustee.

iii. Processing all tax reclaims in a timely manner.

iv. Reconciling records of assets.

Appendix B - Investment Objectives, Guidelines and Restrictions

The overall objective of the Fund is to meet the benefit payments promised as they fall due. In order to meet this overall objective the investment objective for the Portfolio is to achieve an overall return on the Fund's investments of 1.75% per annum (net of fees) in excess of the return on UK government gilts per annum. An additional objective is to strike an acceptable balance between the stability of funding and the long-term cost of benefit provision.

The Trustee has agreed the following high level asset allocation with SEI to achieve this objective. The Fiduciary Management Agreement sets out the scope of SEI's discretion in implementing this asset allocation together with any restrictions on the kind and type of investments utilised.

Category	Subcategory	Target	Allowable Range
Equities			
	Equities	9.5%	0-20%
Credit			
	Multi Asset Credit	6.0%	2.5-12%
Alternatives			
	Property and Real Assets	7.0%	0-14%
	Hedge Funds and Others	3.5%	0-7%
	Illiquid / Private Credit	1.0%	0-8%
Liability Driven Investment			
	LDI Strategy*	41.0%	31-51%
	Credit Strategy **	32.0%	22-42%

*The LDI Strategy is determined to be a portfolio of funds which may use gilts, swaps and/or other derivatives, that match a portion of the Scheme's Technical Provision sensitivities to interests rates and inflation (to be agreed from time to time with the Customer). The LDI Strategy may also consist of short-dated credit, liquidity funds and/or other third party funds or accounts managed outside the SEI Group of companies. **Credit Strategy is managed outside the SEI group of companies and aims to provide income and capital growth by investing primarily in sterling-denominated investment grade non-government securities, whilst providing some matching exposure to a portion of the Scheme's Technical Provision sensitivities to interest rates. The use of derivatives and government securities is also permitted.

The Trustee has determined that they wish to reduce the interest rate and inflation risk inherent in the Fund's liabilities by utilising the assets managed by SEI to target the following proportions of such risk to hedge:

	Interest Rates	Inflation
Basis for determining liability risk	Actuarial	Actuarial
Target proportion of liability risk to hedge	93% of liabilities	90% of liabilities

Appendix C

Scheme Actuary:

Charles Rodgers, Willis Towers Watson

Investment Adviser:

SEI Investments (Europe) Limited

Defined Contribution Adviser

River and Mercantile

Investment Manager (DB):

SEI Investments (Europe) Limited

Investment Managers (AVCs)

Standard Life Investments
Baillie Gifford Investment Management

Custodians

SEI Investments (Europe) Limited in respect of certain pooled funds managed by SEI

Bank of New York Mellon in respect of segregated Portfolios

Other custodians deemed appropriate by the Trustee

Appendix D

The Trustee recognises that the following are some of the risks involved in the investment of assets of the Fund:

- **Cashflow risk**
  The risk of a shortfall of liquid assets relative to the immediate liabilities. The Trustee and its advisers will manage the Fund's cash flows taking into account the timing of future payments, and may borrow over the short-term in order to minimise the probability that this occurs.

- **Financial mismatching risk**
  The risk of a significant difference in the sensitivity of asset and liability values to changes in financial factors, in particular inflation and interest rates. The Trustee will control these risks by monitoring their key characteristics and setting appropriate tolerances.

- **Demographic risk**
  Demographic factors include the uncertainty surrounding mortality projections such as future improvements in mortality experience. The Trustee recognises that there is currently no readily-tradable instrument to hedge this type of risk and that this risk may not be fully mitigated. The Trustee will measure liabilities using mortality assumptions recommended by the Scheme Actuary.

- **Manager risk**
  The failure by the Investment Manager to achieve the rate of investment return assumed by the Trustee. This issue has been considered by the Trustee on the initial appointment of the Investment Manager and thereafter will be considered as part of the investment review procedures the Trustee has put in place.

- **Concentration risk**
  The risk that the performance of any single asset class or single investment that constituted a significant proportion of the assets would disproportionately influence the Trustee's ability to meet the objectives. The Trustee has set diversification guidelines for the Investment Manager to mitigate this risk.

- **Credit Risk**.
  The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation**.** The Trustee limits the risk by restricting the Fund's exposure to investments with a high credit risk and by ensuring that credit risk is well diversified across a number of counterparties.

- **Market risk**. The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. This comprises three types of risk:

  1. **Interest rate and inflation risk.** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates or inflation rates. In setting the investment strategy the Trustee has taken account of the interest rate and inflation sensitivity of the liabilities and then determined the extent to which it is appropriate and possible for these

sensitivities to be matched by the assets, given the overall objective of the Fund, The Trustee will monitor the performance of the assets relative to the liabilities with particular regard to the impact of interest rate and inflation rates.

2. **Currency risk.** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Trustee limits the risk by ensuring that only a proportion of the Fund's assets are invested in assets that are denominated in currencies other than in the currency of the liabilities unless the currency risk is hedged.

3. **Other price risk.** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of other market changes (other than those arising from interest rate, inflation and currency risk) whether those changes are specific to the financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Trustee seeks to reduce the impact of price risk through investing in a diverse portfolio of asset classes with due consideration to the correlation of the value of different asset classes to each other in different market conditions. The Trustee also seeks to avoid investing in asset classes where the price risk is unrewarded.

- **Transition risk**
  The risk of incurring inappropriate costs in relation to the transition of assets from one Investment Manager to another or the movement of assets between different pooled funds. The Trustee will mitigate this risk by ensuring it is informed of any costs before they occur and by monitoring the actual cost against that expected.

- **Custody risk**
  The Trustee will assess and consider the actions of the custodians of the Fund's assets, at the outset and on an ongoing basis to mitigate the risk of misappropriation of assets, delivery that is not in accordance with the instructions, unauthorised use of assets for the benefits of other customers of the custodian, inadequate segregation of customer assets, failure to collect income, recover tax or respond to corporate events and custodian default.

  The Custodians ring fence the Fund assets from their own assets and those of its other clients.

- **Derivative risk**

  Where derivatives are used by the Fund, the Fund will have additional risk with the counterparty to that derivative. These risks will be managed through the use of collateral arrangements

The Trustee will keep these risks under regular review.

Appendix E

This Appendix will set out the Journey Plan, being the process under which the Trustee will reduce risk as the funding level of the Fund improves.