Statement of Investment Principles for

The Royal Society for the Protection of Birds Pension and Life Assurance Fund

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of the Trustees of The Royal Society for the Protection of Birds Pension and Life Assurance Fund ("the Trustees") on various matters governing decisions about the investments of The Royal Society for the Protection of Birds Pension and Life Assurance Fund ("the Fund"), a Defined Benefit ("DB") Fund. The sponsoring employer for the Fund is The Royal Society for the Protection of Birds ("the RSPB"). This SIP replaces the previous SIP dated 6 September 2019.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act") and the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). This SIP has been prepared after obtaining and considering written professional advice from LCP, the Fund's investment adviser, whom the Trustees believe to be suitably qualified and experienced to provide such advice. The advice considers the suitability of investments including the need for diversification, given the circumstances of the Fund, and the principles contained in this SIP. The Trustees have consulted with the relevant RSPB representatives in producing this SIP.

The Trustees will review this SIP from time to time and, with the help of their advisers, will amend it as appropriate. These reviews will take place without delay after any significant change in investment policy and at least once every three years.

Appendix 1 sets out details of the respective key responsibilities of the Trustees, investment advisers and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.

2. Investment objectives

The Trustees' primary objective is to ensure that the Fund is able to meet benefit payments as they fall due. A secondary objective is that the Fund should be fully funded (ie the asset value should be at least that of its liabilities). The Trustees are aware that there are various measures of funding, and have given due weight to those considered most relevant to the Fund.

The Trustees have a long-term journey plan that targets full funding by 2033 on a "gilts + 0.5% pa" basis. Progress against this long-term journey plan is reviewed on a regular basis.

3. Investment strategy

The Trustees, with the help of their advisers and in consultation with the RSPB, have reviewed the investment strategy, considering the objectives described in Section 2 above.

The Trustees have set the following strategic asset allocation and control ranges for investing the Fund's assets.

Asset class	Target asset allocation (%)
Growth assets	55.0
Matching assets	45.0
Total	**100.0**

The Trustees monitor the asset allocation from time to time. If material deviations from the strategic allocation occur, the Trustees will consider with their advisers whether it is appropriate to rebalance the assets, taking into account factors such as market conditions and anticipated future cash flows.

The Trustees have put in place a time-based mechanism to de-risk the investment strategy as the fund matures. By 2033, the Fund is expected to have around 20% of assets in growth and 80% in matching assets.

The Trustees review on a regular basis the progress against the journey plan and expected date to reach full funding on the "gilts + 0.5%" basis.

The Trustees intend to pause the time-based de-risking if the Fund is anticipated to reach full funding on a gilts + 0.5% pa basis by 2033 or later.

Conversely, the Trustees intend to accelerate the de-risking of the Fund's investment strategy if the Fund is anticipated to reach full funding on a gilts + 0.5% pa basis by 2028 or earlier.

4. Considerations made in determining the investment arrangements

When deciding how to invest the Fund's assets, the Trustees consider a number of risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustees have endeavoured to allow for the relative importance and magnitude of each risk.

The Trustees considered a wide range of asset classes for investment, and the expected returns and risks associated with those asset classes. The key financial assumptions for expected net returns above gilts are as follows:

Asset class	Average long-term expected excess net return over gilts (% pa)
Equities:	4.5% pa
DGF and Fund of Hedge Funds:	3.5% pa
EMMAF:	4.3% pa
Property:	3.0% pa
Commodities:	3.0% pa
Private equity:	5.3% pa
LDI	0.0% pa

In setting the strategy, the Trustees also considered:

- the best interests of members and beneficiaries;
- the circumstances of the Fund, including the profile of the benefit cash flows, the funding level, and the strength of the RSPB's covenant,
- the investment return anticipated in the Scheme's Statement of Funding Principles;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies;
- the impact that the Fund's investment strategy has on RSPB; and
- the need for appropriate diversification between different asset classes.

The Trustees' key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that do not have an expected reward should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value;
- environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors;
- long-term environmental, social, governance and economic sustainability is a key factor that Trustees should consider when making investment decisions; and
- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

5. Implementation of the investment arrangements

Before investing in any manner, the Trustees obtain and consider written advice from their investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers are set out in the separate Investment Policy Implementation Document. The Trustees have signed agreements with the investment managers setting out in detail the terms on which the portfolios are to be managed. The investment managers' primary role is the day-to-day investment management of the Fund's investments. The managers have confirmed they are authorised under the Financial Services and Markets Act 2000 (as amended) to carry out such activities. Where managers are registered overseas, they are regulated by the relevant bodies and legislation.

The Trustees have limited influence over managers' investment practices because all the Fund's assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate.

The Trustees' view is that the fees paid to the investment managers, 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. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustees' responsibility to ensure that the managers' investment approaches are consistent with their policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustees expect investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. They assess this when selecting and monitoring managers.

The Trustees evaluate investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustees would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustees' policy is to evaluate each of their investment managers by reference to the manager's individual performance as well the role it plays in helping the Fund meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustees recognise that portfolio turnover 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 the investment managers. The Trustees expect their investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Fund's investment mandates.

6. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Fund within the portfolios that they manage, and in considerations relating to the liquidity of investments. For example, the managers have discretion (to a certain extent, in line with their guidelines) to invest in assets of varying liquidity. They will however keep in mind the overall liquidity terms of the fund they manage when making investments.

When appropriate, the Trustees, on the administrators' recommendation, decide on the amount of cash required for benefit payments and other outgoings and inform the investment managers of any liquidity requirements. In general, the Trustees' policy is to use cash flows to rebalance the Fund's assets towards the strategic asset allocation.

7. Environmental, social and governance ("ESG") and ethical considerations

The Trustees have a legal obligation to act in the best financial interests of the members of the Fund and its beneficiaries. Therefore, the Trustees consider it appropriate to consider ESG and ethical factors on the grounds that these factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of these factors. The Trustees also believe that investments in organisations whose activities significantly conflict with the

RSPB's charitable objectives may damage the Charity's credibility and income prospects, and hence its ability to make payments to the Fund. The Trustees therefore consider ESG factors, particularly climate change, to be a financially material consideration for the Fund and will look to invest in ESG-focused funds where possible.

Mindful of the need to balance investment performance with maintaining the RSPB covenant, the Trustees favour investment in funds whose managers:

- seek to understand the ESG and ethical policies of the companies in which investments are made;
- consider ESG and ethical policies, particularly in relation to climate change and biodiversity loss, alongside other factors when evaluating companies for investment;
- encourage the organisations in which they invest to adopt and pursue socially and environmentally responsible business practices and good governance; and
- exercise the right to vote in respect of their holdings, taking ESG and ethical considerations into account as appropriate.

The Trustees will only invest in other (ie funds not specifically focused on ESG) pooled funds, where such funds offer the Fund and its beneficiaries a clear prospect of superior performance and/or diversification benefits.

Therefore, the Trustees will consider ESG-focused funds first, but if no suitable funds are available, the Fund will revert to investing in funds not specifically focused on ESG. The Trustees currently invest in two global equity funds, one is an ESG-focused equity fund, and the other is a sustainability focused equity fund.

The Trustees carefully monitor the impact of these measures on the financial returns to the Fund.

The Trustees expect all of their investment managers to take account of financially material considerations (including climate change and other ESG considerations). When appointing new managers, the Trustees will ensure that the manager has appropriate skills and processes to do this, and regularly review how managers are taking account of these issues in practice.

The Trustees have limited influence over managers' investment practices where assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate.

The Trustees believe that it is also appropriate to consider ESG matters for non-financial reasons, as members of the Fund, who are previous employees of the RSPB, would generally have a preference for sustainable and environmentally positive investments.

8. Voting and engagement

The Trustees recognise their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustees have delegated to their investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.

The Trustees do not monitor or engage directly with issuers or other holders of debt or equity. They expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustees from time to time, taking into account the long-term financial interests of the beneficiaries. The Trustees seek to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustees review how these are implemented in practice.

SIP approved by the Trustees of the Royal Society for the Protection of Birds Pension and Life Assurance Fund on 29 September 2020.

Responsibilities, decision-making and fees

In broad terms, the Trustees have decided on the following division of responsibilities and decision-making for the Fund. This division is based upon the Trustees' understanding of the various legal requirements placed upon them, and their view that this division allows for efficient operation of the Fund overall, with access to an appropriate level of expert advice and service. The Trustees' investment powers are set out within the Fund's governing documentation.

1. Trustees

The Trustees are responsible in respect of investment matters for:

- setting the investment strategy, in consultation with the RSPB;
- reviewing the investment policy as part of any review of the investment strategy;
- setting the policy for rebalancing between asset classes;
- appointing, monitoring, reviewing and dismissing investment managers, investment advisers, and other investment service providers;
- obtaining professional advice (when necessary) in relation to the legal terms upon which investments are documented;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- formulating a policy on financially material considerations, such as those relating to ESG considerations (including but not limited to climate change);
- formulating a policy on taking account of non-financial matters in the selection, retention and realisation of investments;
- communicating with members as appropriate on investment matters;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the RSPB when reviewing the SIP.

2. Investment managers

The investment managers will be responsible for:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolio of assets;
- providing the Trustees with regular information concerning the management and performance of their respective portfolios; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios (whether there is a direct relationship between the custodian and the Trustees or not) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

3. Investment adviser

The investment adviser will be responsible, in respect of investment matters, as requested by the Trustees, for:

- advising on how material changes within the Fund's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations); and
- participating with the Trustees in reviews of this SIP.

4. Fee structures

The Trustees recognise that the provision of investment management and advisory services to the Fund results in a range of charges to be met, directly or indirectly, by deduction from the Fund's assets.

The Trustees have agreed Terms of Business with the Fund's investment advisers, under which work is carried out on a fixed fee basis.

The investment managers receive fees calculated by reference to the market value of assets under management. Some managers also have a performance-related element to their fee. The fee rates are believed to be consistent with the managers' general terms for institutional clients and are considered by the Trustees to be reasonable when compared with those of other similar providers. See also Section 5 of the SIP.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustees' view as to the most appropriate arrangements for the Fund. However, the Trustees will consider revising any given structure if and when it is considered appropriate to do so.

Policy towards risk, risk measurement and risk management

The Trustees consider that there are a number of different types of investment risk that are important for the Fund. These include, but are not limited to:

1. Risk of inadequate returns

A key objective of the Trustees is that, over the long-term, the Fund should have adequate assets to meet its liabilities as they fall due. The Trustees therefore invest the assets of the Fund to produce a sufficient long-term return in excess of the return on assets assumed within the Actuarial Valuation. There is also a risk that the performance of the Fund's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been considered in setting the investment strategy and is monitored by the Trustees on a regular basis.

2. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Fund's assets. The Trustees believe that the Fund's assets are adequately diversified between different asset classes and within each asset class. This was a key consideration when determining the Fund's investment arrangements.

3. Investment manager risk

This is the risk that an investment manager fails to meet its performance targets. Prior to appointing an investment manager, the Trustees receive written advice from a suitably qualified individual, and will typically undertake an investment manager selection exercise. The Trustees monitor the investment managers on a regular basis, based on information from a suitably qualified individual.

4. Counterparty risk

This is the risk that one party to a contract (such as a derivative instrument) causes a financial loss to the other party by failing to discharge a contractual obligation. This risk applies in particular for those contracts that are traded directly between parties, rather than traded on a central exchange.

In particular, the LDI manager makes use within its LDI funds of derivative and gilt repos contracts and these funds are used by the Trustees to match efficiently a portion of the Fund's liabilities. Counterparty risk is managed within the funds through careful initial selection and ongoing monitoring of trading counterparties, counterparty diversification and a robust process of daily collateralisation of each contract, to ensure that counterparty risk is limited, as far as possible, to one day's market movements

5. Iliquidity/marketability risk

This is the risk that the Fund is unable to realise assets to meet benefit cash flows as they fall due. The Trustees are aware of the Fund's cash flow requirements and believe that this risk is managed by maintaining an appropriate degree of liquidity across the Funds' investments.

6. Credit risk

This is the risk that a borrower will cause a financial loss for the other party by failing to meet required payments for a contractual obligation.

The Fund is subject to credit risk because it invests in pooled funds, so is exposed to risk in relation to the solvency of the investment manager and custodian of each fund. The underlying assets of the pooled funds are ring-fenced from the investment managers and the Fund's investments are diversified across a number of pooled funds. These measures help the Trustees to manage the Fund's exposure to credit risk.

The Fund is indirectly subject to credit risks arising from the underlying investments held by the pooled funds, for example when they invest in bonds held in multi-asset portfolios. The managers of these pooled funds manage this risk by having a diversified exposure to bond issuers, conducting thorough research on the probability of default of those issuers, and only having a low exposure to bonds rated below investment grade.

7. Equity risk

Equity represents (part) ownership of a company. Equity risk is the risk that the value of this holding falls in value.

The Trustees believe that equity risk is a rewarded investment risk, over the long term.

The Trustees consider exposure to equity risk in the context of the Scheme's overall investment strategy and believe that the level of exposure to this risk is appropriate.

8. Currency risk

Whilst the majority of the currency exposure of the Fund's assets is to Sterling, the Fund is subject to currency risks because some of the Fund's investments are held in overseas markets. The Trustees consider the overseas currency exposure in the context of the overall investment strategy, and believe that the currency exposure that exists diversifies the strategy and is appropriate. Furthermore, the Trustees manage the amount of currency risk by investing in pooled funds that hedge some or all of their currency exposure.

9. Interest rate and inflation risk

The Fund's assets are subject to interest rate risk because some of the Fund's assets are held in LDI and in bonds held in multi-asset portfolios. However, the interest rate exposure of the Fund's assets hedges part of the corresponding risks associated with the Fund's liabilities. The net effect will be to reduce the volatility of the funding level, and so the Trustees believe that it is appropriate to have exposures to these risks in this manner.

10. Other non-investment risks

The Trustees recognise that there are other, non-investment, risks faced by the Fund, and takes these into consideration as far as is practical in setting the Fund's investment arrangements.

Examples include:

- longevity risk (the risk that members live, on average, longer than expected); and
- sponsor covenant risk (the risk that, for whatever reason, the RSPB is unable to support the Fund as anticipated). The Trustees have taken into account the strength of the RSPB's covenant in setting the Fund's investment strategy.

The Trustees also have in place processes to consider and monitor these non-investment risks on a regular basis.

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Fund's funding position falls below what is considered an appropriate level. By understanding and considering the key risks that contribute to funding risk, the Trustees believe that they have appropriately addressed and are positioned to manage this general risk.