Addendum to the Statement of Investment Principles

For the Natixis Pension Scheme

Effective from: 25 May 2023

This addendum to the Statement of Investment Principles ("SIP") for the Natixis Pension Scheme (the "Scheme") has been produced by the Trustees of the Scheme. It sets out a description of various matters which are not required to be included in the SIP, but which are relevant to the Scheme's investment arrangements.

Part 1:
Investment governance, responsibilities, decision-making and fees

We have decided on the following division of responsibilities and decision making for the Scheme. This division is based upon our understanding of the various legal requirements placed upon us and our view that the division of responsibility allows for efficient operation and governance of the Scheme overall. Our investment powers are set out within the Scheme's governing documentation.

1. Trustees

Our responsibilities include:

- setting the investment strategy, in consultation with the employer
- setting investment policies, including those relating to financially material factors and the exercise of rights and engagement activities in respect of the investments
- putting effective governance arrangements in place and documenting these arrangements in a suitable form
- monitoring, reviewing, engaging with and replacing investment managers, investment advisers, actuary, and other service providers
- monitoring the exercise of investment powers that we have delegated to the investment managers and monitoring compliance with Section 36 of the Pensions Act 1995 (as amended)
- communicating with members as appropriate on investment matters, such as our assessment of our effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged
- reviewing the SIP and modifying it as necessary

2. Investment managers

The investment managers' responsibilities include:

- 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, net zero alignment and other Environmental, Social and Governance ("ESG") considerations) as appropriate in managing the assets
- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments
- providing regular information concerning the management and performance of their respective portfolios, including information on voting and engagement undertaken and progress on net zero alignment over time
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

3. Investment adviser

The investment adviser's responsibilities include:

- advising on how material changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested
- advising on and monitoring liability hedging and collateral management
- 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)
- supporting us in achieving the Scheme's net zero ambition, including through manager selection, monitoring and engagement
- assisting us with reviews of this SIP.

4. Fee structures

The provision of investment management and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the

Scheme's assets. We have agreed terms with the Scheme's actuarial and investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment managers receive fees calculated by reference to the market value of assets under management.

We have also appointed BNY Mellon as custodian in respect of the Scheme's investments with BlackRock. BNY Mellon's fees and expenses are paid for by BlackRock as part of the investment management and custodian agreements in place between the Trustees, BlackRock and BNY Mellon.

The fee structure used in each case has been selected with regard to existing custom and practice, and our view as to the most appropriate arrangements for the Scheme, and we keep the fee structures under review.

5. Performance assessment

We are satisfied that there are adequate resources to support our investment responsibilities, and that we have sufficient expertise to carry out our role effectively. It is our policy to assess the performance of the Scheme's investments, investment providers and professional advisers from time to time. We will also periodically assess the effectiveness of our decision-making and investment governance processes and will decide how this may then be reported to members.

6. Working with the sponsoring employer

When reviewing matters regarding the Scheme's investment arrangements, such as the SIP, we seek to give due consideration to the employer's perspective. Whilst the requirement to consult does not mean that we need to reach agreement with the employer, we believe that better outcomes will generally be achieved if we work with the employer collaboratively.

Part 2:
Policy towards risk

1. Risk capacity and appetite

Risk capacity is the maximum level of risk that we consider to be appropriate to take in the investment strategy. Risk appetite is how much risk we believe is appropriate to take in order to meet the investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action.

When assessing risk and reviewing the investment strategy, we consider:

- the strength of the employer covenant and how this may change over time
- the agreed journey plan and employer contributions
- the Scheme's long-term and shorter-term funding targets
- the Scheme's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged
- the Scheme's cash flow and target return requirements
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

Following implementation of the Scheme's current investment strategy, as at 28 February 2023, the Scheme's 1 year 95% Value at Risk was estimated to be £2.5m. This means that there is estimated to be a 1 in 20 chance that the Scheme's funding position will worsen by £2.5m or more, compared to the expected position, over a one year period. When deciding on the current investment strategy, we believed this level of risk to be appropriate given the Scheme's objectives.

2. Approach to managing and monitoring risks

There are different types of investment risk that are important to manage, and we monitor these on a regular basis. These include, but are not limited to:

Risk of inadequate returns

A key objective is that the assets produce a sufficient long-term return in excess of the liabilities, and we have set an appropriate target return for the assets accordingly. There is a risk that the return experienced is not sufficient. This risk has been considered in setting the investment strategy.

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 (eg equities), could materially adversely affect the Scheme's assets. We believe that the Scheme's assets are adequately diversified between different asset classes and within each asset class. This was a key consideration when determining the Scheme's investment arrangements.

Equity risk

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

Credit risk

The Scheme is subject to credit risk because it invests in bonds via pooled funds. This risk is managed by only investing in pooled funds that have a diversified exposure to different credit issuers, and predominantly investing in bonds that are classified as "investment grade".

Currency risk

Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets. We consider the overseas currency exposure in the context of the overall investment strategy and believe that it diversifies the strategy and is appropriate.

Furthermore, we manage the amount of currency risk by investing in pooled funds that hedge currency exposure or implement separate currency hedging arrangements.

Specifically, the foreign currency exposure of the overseas developed market equity allocation (making up 50% of the global developed market equity allocation) and the infrastructure allocation is hedged back to Sterling.

Interest rate and inflation risk

The Scheme's assets are subject to interest rate and inflation risk because some of the Scheme's assets are held in bond funds and Liability Driven Investment ("LDI") funds. However, the interest rate and inflation exposure of the Scheme's assets provide protection (hedges) part of the corresponding risks associated with the Scheme's liabilities. Given that this should reduce the volatility of the funding level, we believe that it is appropriate to manage exposures to these risks in this manner.

Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, we receive written professional advice, and we will typically undertake a manager selection exercise. We monitor the investments regularly against their objectives and receive ongoing professional investment advice as to their suitability.

Climate-related risks

Climate change is a source of risk, which could be financially material over both the short and longer term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change (eg extreme weather). We seek to appoint investment managers who will manage this risk appropriately, and we monitor how this risk is being managed in practice. We encourage our managers (where practical) to set credible net zero targets for the funds in which we invest and to align our investments with net zero greenhouse gas emissions by 2050 to help drive real world emissions reduction and reduce systemic risks relating to climate change.

Other environmental, social and governance (ESG) risks

ESG factors are sources of risk, which could be financially material over both the short and longer term. These include risks relating to unsustainable or socially harmful business practices, and unsound corporate governance. We seek to appoint investment managers who will manage these risks appropriately and monitor how these risks are being managed in practice.

Illiquidity/marketability risk

This is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due, or that the Scheme will become a forced seller of assets in order to meet benefit payments. We are aware of the Scheme's cash flow requirements and believe that this risk is managed by maintaining an appropriate degree of liquidity across the Scheme's investments and by investing in income generating assets, where appropriate.

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 funds in which the Scheme invests make use of derivative and gilt repurchase contracts. We use these funds to match efficiently the Scheme's liabilities. Counterparty risk is managed within the funds through careful initial selection and ongoing monitoring of trading counterparties, counterparty diversification and minimum credit ratings that all counterparties must meet. In addition, derivative positions are collateralised daily, with the aim of reducing the extent of any losses on these positions to around one to two day's market movements in the event of default of the counterparty. Restricting losses in this way is dependent on the continuing availability of replacement contracts through a liquid market, which may be uncertain given the market conditions that could trigger such a default event.

Collateral adequacy risk

The Scheme is invested in leveraged LDI arrangements to provide hedging protection against adverse changes in interest rates and inflation expectations. From time to time, depending on market movements, additional cash may need to be invested in the LDI portfolio in order to support a given level of leverage. Collateral adequacy risk is the risk that the cash required to maintain the hedging protection is not available for use within the LDI portfolio within the required timeframe. A possible consequence of this risk materialising is that the Scheme's liability hedging could be reduced, potentially leading to a worsening of the Scheme's funding level.

To mitigate this risk, the Trustees have a leverage management plan in place. This sets out clearly the assets directly available to support the Scheme's LDI arrangements and the approach that is expected to be taken with regards to selling down any other assets to support the LDI arrangements. As part of this leverage management plan, the Trustees periodically monitor the impact of movement in interest rates and inflation expectations and how that compares to the change that can be supported by the assets invested in the LDI arrangements and those directly supporting those arrangements.

Other non-investment risks

We recognise that there are other non-investment risks faced by the Scheme. We take these into consideration as far as practical in setting the investment arrangements.

Examples include:

- longevity risk (risk that members live, on average, longer than

expected); and

- sponsor covenant risk (risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated).

Both investment and non-investment risks can lead to the funding position materially worsening. We regularly review progress against the funding target.

Part 3:
Investment manager arrangements

Details of the investment managers are set out below.

Defined Benefit Section

Legal & General Investment Management ("L&G") – passive equities and listed infrastructure

We have selected L&G as the investment manager for the Scheme's equity and listed infrastructure assets. L&G does not carry out any automatic rebalancing between the pooled funds. The benchmarks and performance objectives for the funds are as follows:

Fund	Benchmark index	Performance objective
Global Equity Fixed Weight (50:50) GBP Hedged	FTSE All-Share Index in the UK and appropriate subdivisions of the FTSE World Index overseas	To provide diversified exposure to UK and overseas equity markets while minimising foreign currency exposure
World Emerging Markets Equity Index Fund	FTSE AW All Emerging Markets Index	To track the performance of the benchmark to within ±1.5% pa for two years in three (gross of fees)
Infrastructure Equity MFG Fund	MFGAM Core Infrastructure Index	To provide diversified exposure to global listed infrastructure markets and to produce a return broadly comparable to the benchmark (less withholding tax where applicable)

The funds are priced weekly and at month ends. The funds are open-ended and are unlisted.

L&G is responsible for custody of the assets of the funds. Generally, responsibility for UK assets is delegated to HSBC and responsibility for all other assets is delegated to Citibank. Investments are held in the name of the custodian's nominee company, in line with common practice for pension scheme investments. We do not have a direct relationship with the custodian.

Abrdn – diversified growth

We have selected abrdn as an investment manager for part of the Scheme's diversified growth fund allocation. The fund is managed on an active basis. The benchmark and performance objective for the fund are as follows:

Fund	Benchmark index	Performance objective
Abrdn Diversified Growth Fund	1 Month GBP SONIA (Sterling Overnight Index Average)	Outperform benchmark by 5% pa over rolling 5 year periods (gross of fees)

The fund is priced daily. The fund is open-ended and is unlisted.

Abrdn is responsible for custody of the assets of the fund. The custodian appointed by abrdn is Citibank NA London Branch. Investments are held in the name of the custodian's nominee company, in line with common practice for pension scheme investments. We do not have a direct relationship with the custodian.

BlackRock Investment Management ("BlackRock") – diversified growth

We have selected BlackRock as an investment manager for part of the Scheme's diversified growth fund allocation. The fund is managed on an active basis. The benchmark and performance objective for the fund are as follows:

Fund	Benchmark index	Performance objective
Dynamic Diversified Growth Fund	3 Month GBP SONIA	Outperform benchmark by at least 3% pa (net of fees)

The fund is priced daily. The fund is open-ended and is unlisted.

We have appointed Bank of New York Mellon ("BNYM") as the custodian for the BlackRock assets. The role of a custodian is to ensure safe keeping of the assets and facilitate all transactions in respect of the portfolios for which it provides custody.

Columbia Threadneedle Investments ("CTI") – LDI, Short Dated Credit and Liquidity Fund

We have selected CTI as an investment manager for the Scheme's LDI allocation. The Scheme invests in the CTI Real and Nominal Dynamic LDI Funds. The objective of these funds is to provide liability hedging by offering interest rate and inflation exposure which replicates the liability profile of a typical UK defined benefit pension scheme.

The Scheme also invests in the Global Low Duration Credit Fund and the CTI Sterling Liquidity Fund, with these funds forming part of the Scheme's LDI collateral support assets

CTI does not have a central benchmark allocation and hence does not carry out any automatic rebalancing between the pooled funds. The benchmarks and performance objectives for the funds are as follows:

Fund	Benchmark index	Performance objective
CTI Nominal Dynamic LDI Fund	Custom leveraged liability benchmarks based on swaps and gilts	To provide a hedge against nominal rate liabilities
CTI Real Dynamic LDI Fund	Custom leveraged liability benchmarks based on swaps and gilts	To provide a hedge against real rate liabilities
CTI Global Low Duration Credit Fund	No formal benchmark in place. Market reference: ICE BofA 0-5yr UK Gilt Index	To deliver a total return in line with investment in low duration non-government bonds and other similar assets
CTI Sterling Liquidity Fund	GBP SONIA	Maintain high levels of liquidity, preserve capital and generate a return in line with the benchmark

The funds are typically priced daily. The funds are open-ended and are unlisted.

In a deleveraging event (when the value of the LDI funds falls to the extent that the capital required to support the hedge needs to be topped up) CTI will notify us and disinvest initially from the Sterling Liquidity Fund to top up the LDI Funds. If there are insufficient assets in the Sterling Liquidity Fund, then CTI will look to fund the shortfall by disinvesting from the Global Low Duration Credit Fund. If there are insufficient assets in both of these two funds then CTI will contact us for cash. We believe that the Scheme's other assets are sufficiently liquid to meet the capital call requirements of a deleveraging event.

In a releveraging event (when the value of the LDI Funds increases to the extent that there is too much capital supporting the hedge) CTI will notify us and invest cash proceeds from the LDI Funds into the Global Low Duration Credit Fund.

CTI is responsible for custody of the assets of the funds. Responsibility is delegated to State Street Bank Luxembourg S.C.A. Investments are held in the name of the custodian's nominee company, in line with common practice for pension scheme investments. We do not have a direct relationship with the custodian.

Additional Voluntary Contributions

No further AVCs are permitted to be made. However, there is a legacy AVC arrangement in place with Standard Life Assurance Society in respect of accrued AVC funds.