Westpac Banking Corporation UK Staff Superannuation Scheme: DC and AVC Sections ('the Scheme')

Statement of Investment Principles ('the Statement')

1. Scope of Statement

This Statement has been prepared in accordance with Section 35 of the Pension Act 1995 (as amended by the Pension Act 2004 and the Occupational Pension Plans (Investment) Regulations 2005) and the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015), and subsequent legislation.

In accordance with the Financial Services and Markets Act 2000, the Trustees will set general investment policy, but will delegate the responsibility for selection of specific investments to appointed investment managers. The investment managers shall provide the skill and expertise necessary to manage the investments of the Scheme competently.

The effective date of this Statement is 2 September 2020.

The Trustees will review this Statement at least every three years and without delay either where any significant change in investment policy is contemplated or the demographic profile of the relevant members changes.

A copy of this Statement is available to the members of the Scheme on request and can be found on the Scheme's website at: http://www.westpacpensions.co.uk/booklet/WPHome.asp.

2. Scheme details and scope of this document

The Westpac Banking Corporation UK Staff Superannuation Scheme ('the Scheme') provides a Defined Benefit ("DB") and Defined Contribution ("DC") pension arrangement. Within the Scheme there are a number of Sections, this document relates solely to the DC and AVC arrangements. The Statement of Investment Principles for the DB arrangements is a separate document.

3. Consultations Made

The Trustees are responsible for the appointment of the investment provider and for monitoring the investment provider. In addition, the Trustees are responsible for the choice of investment options made available to members of the Scheme, including the Default Option into which assets are invested in the absence of any instructions from the member. Before making this choice, the Trustees obtained and considered written advice on the investment options appropriate for the Scheme from Aon Solutions UK Limited, who are authorised and regulated by the Financial Conduct Authority to give such advice under the Financial Services and Markets Act 2000.

The Trustees are also responsible for the preparation of this Statement. Before preparing this Statement, the Trustees obtained and considered written advice provided by Aon Solutions UK Limited.

The Trustees have consulted with the Westpac Banking Corporation, prior to writing this Statement. The Trustees will take the Sponsoring Employer’s comments into account when it believes it is appropriate to do so.

4. Objectives

The Trustees' key aim and objective is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives. The Trustees have taken into account members' circumstances, in particular the range of members' attitudes to risk and term to retirement.

The Trustees' investment strategy has been chosen to enable members to maximise the likelihood of achieving these objectives.

5. Investment Management Arrangements

The Trustees have decided to implement the Scheme's DC investment strategy through Aon's Delegated DC Services. Under this approach, the Trustees delegate the selection of the platform provider, available fund range and day to day management of the funds to Aon as a fiduciary manager, through Aon Investments Limited (AIL).

The available fund range consists of a number of white-labelled blended funds. The underlying managers and structure of each blended fund is delegated to the investment manager, namely AIL. A small number of additional funds are also available outside of the Aon Managed Funds.

The Trustees consider AIL to be their investment manager. References in this policy to ‘underlying investment managers’ refers to those investment managers which AIL in turn appoints to manage investments on behalf of the Trustees.

The Trustees recognise that the arrangements with AIL, and correspondingly the underlying investment managers, are important to ensure that interests are aligned. In particular, the Trustees seek to ensure that AIL is incentivised to operate in a manner that generates the best long-term results for the Scheme and its members.

The Trustees receives quarterly reports and verbal updates from AIL on various items including the default investment strategy and wider fund range, performance and longer-term positioning of the funds in which members invest. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme's objectives and assess AIL over at least rolling three 3-year periods.

The Trustees also receive annual stewardship reports on the monitoring and engagement activities carried out by AIL, which supports the Trustees in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Trustees delegate the ongoing monitoring of underlying investment managers to AIL. AIL monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the underlying investment managers are aligned with the investment objectives of each fund used by the Scheme. This includes monitoring the extent to which the underlying investment managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and

- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

Before appointing a new fiduciary manager, the Trustees will review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees' policies. Where required, the Trustees will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustees will express its expectations by other means (such as through a side letter, in writing, or verbally at Trustees' meetings) so that there is more alignment.

The Trustees believe that having appropriate governing documentation, setting clear expectations to AIL, and regular monitoring of AIL's performance and investment strategy, is sufficient to incentivise AIL to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where AIL is considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically first engage with AIL but could ultimately replace it where this is deemed necessary.

The Trustees have not set a duration for its arrangements with AIL, although its continued appointment is reviewed periodically. Similarly, there are no set durations for arrangements with the underlying asset managers that AIL invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place.

6. Investment Risk Measurement and Management

The Trustees recognise that members take the investment risk. The Trustees take account of this in the selection and monitoring of the investment manager and the choice of funds offered to members.

7. Asset Allocation Strategy

The Trustees recognise that the key source of financial risk (in relation to members meeting their objectives) normally arises from asset choice. The Trustees therefore retain responsibility for the investment fund options made available to the membership and take expert advice as required from professional advisers.

Three distinct asset allocation strategies are offered to members, which target different benefits at retirement, namely drawdown, annuity purchase and cash.

Each asset allocation strategy aims to provide members with the potential for higher levels of growth during the accumulation of their retirement savings though exposure to equities, and then to gradually diversify their investments in the years approaching retirement, to reduce volatility and provide a broad base of assets from which members can choose the type of benefits they wish to take. This is achieved by automatically moving member's funds from return-seeking assets, which aim for long-term growth in excess of inflation, to a more broad-based and lower risk asset mix as a member approaches their selected retirement age.

For members who do not wish to make an active decision regarding the investment of their assets, a Default Option has been put in place following consideration of the Scheme membership.

In setting the three asset allocation strategies, the Trustees have reviewed the extent to which the return on investments (after deduction of any charges relation to those investments) is consistent with the objectives of the strategy, which is broadly to provide an appropriate risk/return profile given the needs of members.

The Trustees regularly reviews the appropriateness of the three asset allocation strategies and may make changes from time to time. Members are advised accordingly of any changes.

The switching of assets between the different Funds within each asset allocation strategy is carried out monthly by the Scheme's administrator, at which point members' funds are rebalanced in line with the lifestyle matrix illustrated in the charts on the following pages.

Details of the three asset allocation strategies are provided below.

Drawdown Lifestyle Strategy (The Default Option)

The Drawdown Lifestyle Strategy works on the principle that a member electing this option will transfer the balance of their account to a specialist income drawdown arrangement.

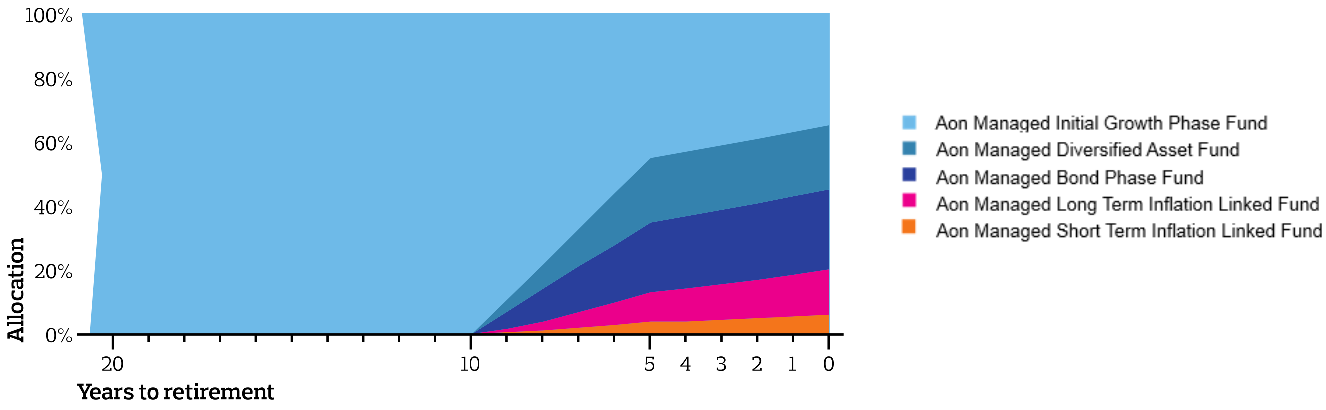
The Drawdown Lifestyle Strategy initially invests wholly in the Aon Managed Initial Growth Phase Fund until 10 years before a member's selected retirement age. During this 'growth' phase, the Drawdown Lifestyle Strategy aims to provide real growth (in excess of inflation) over the long term.

From 10 years from a member's selected retirement age, lower risk investments are gradually introduced, including protection and income generating investments, through the Aon Managed Diversified Asset Fund, Aon Managed Bond Phase Fund, Aon Managed Short Term Inflation Linked Fund and Aon Managed Long Term Inflation Linked Fund.

At a member's selected retirement date, the Drawdown Lifestyle Strategy invests the member's assets across a range of asset classes with the aim of providing a real income during the post-retirement phase whilst protecting the value of the investments.

This structure is summarised below.

Chart 1: Drawdown Lifestyle Strategy (The Default Option)



Annuity Lifestyle Strategy

The Annuity Lifestyle Strategy works on the principle that a member electing this option will take the maximum tax-free cash sum and use the rest of their account to purchase an annuity at retirement.

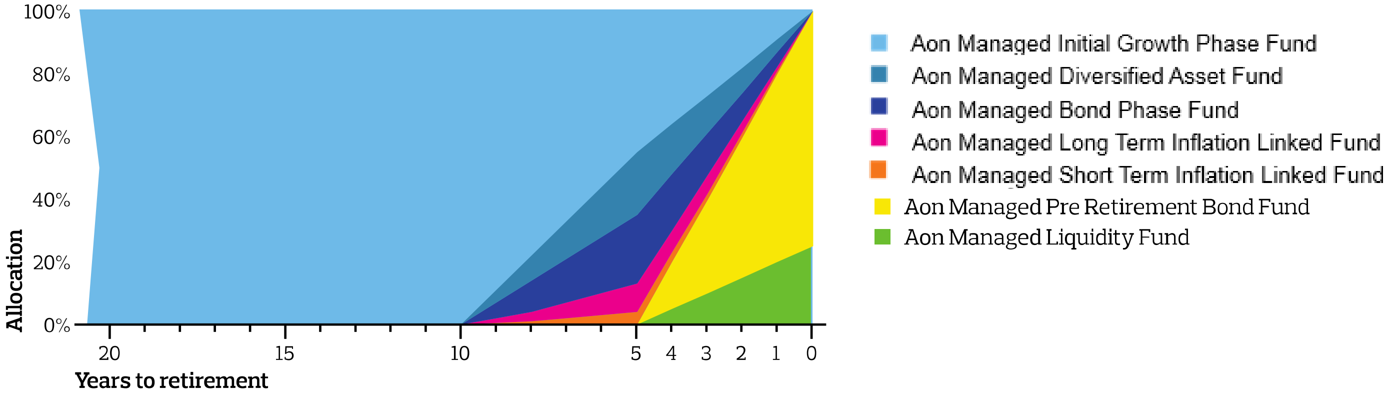
The Annuity Lifestyle Strategy initially invests wholly in the Aon Managed Initial Growth Phase Fund until 10 years before a member's selected retirement age. During this 'growth' phase, the Annuity Lifestyle Strategy aims to provide real growth (in excess of inflation) over the long term.

From 10 years from a member's selected retirement age, lower risk investments are gradually introduced, including protection and income generating investments, through the Aon Managed Diversified Asset Fund, Aon Managed Bond Phase Fund, Aon Managed Short Term Inflation Linked Fund and Aon Managed Long Term Inflation Linked Fund. From 5 years before a member's selected retirement age, a member's account is moved into lower risk assets through the Aon Managed Pre-Retirement Bond Fund and the Aon Managed Liquidity Fund.

At a member's selected retirement date, the Annuity Lifestyle Strategy invests the member's assets with 75% in the Aon Managed Pre-Retirement Bond Fund and 25% in the Aon Managed Liquidity Fund with the aim of protecting the value of the investments relative to movements in annuity prices and cash.

This structure is summarised below.

Chart 2: Annuity Lifestyle Strategy



Cash Lifestyle Approach

The Cash Lifestyle Strategy works on the principle that a member electing this option will transfer all of their savings to another pension provider and then take the whole of their account as a cash lump sum at retirement.

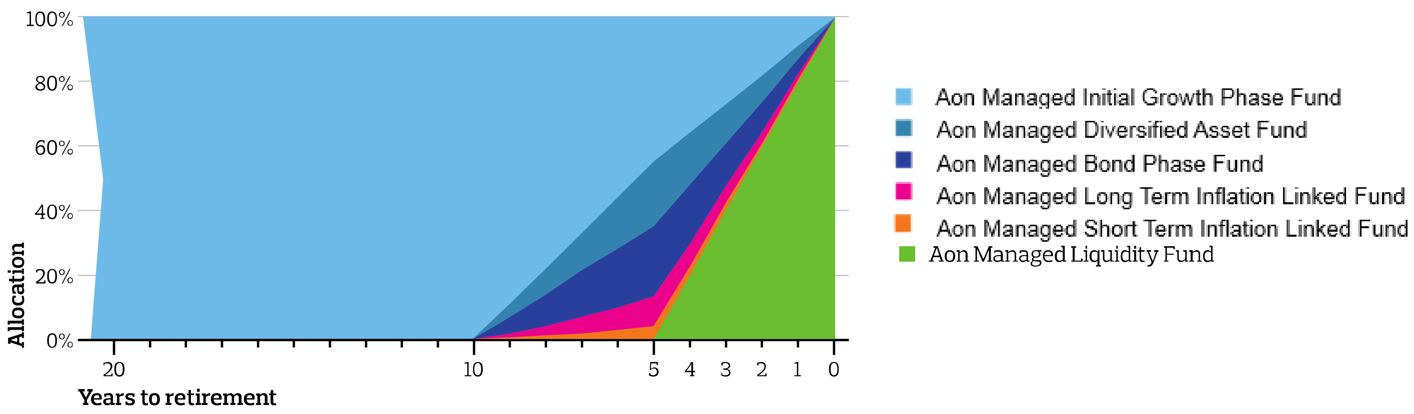
The Cash Lifestyle Strategy initially invests wholly in the Aon Managed Initial Growth Phase Fund until 10 years before a member's selected retirement age. During this 'growth' phase, the Annuity Lifestyle Strategy aims to provide real growth (in excess of inflation) over the long term.

From 10 years from a member's selected retirement age, lower risk investments are gradually introduced, including protection and income generating investments, through the Aon Managed Diversified Asset Fund, Aon Managed Bond Phase Fund, Aon Managed Short Term Inflation Linked Fund and Aon Managed Long Term Inflation Linked Fund. From 5 years before a member's selected retirement age a member's account is moved into cash, namely the Aon Managed Liquidity Fund.

At a member's selected retirement date, the Cash Lifestyle Strategy invests the member's assets 100% in the Aon Managed Liquidity Fund, with the aim of protecting the value of the investments relative to cash.

This structure is summarised in the chart overleaf.

Chart 3: Cash Lifestyle Strategy



8. Default Option: Rationale

The Trustees selected the Drawdown Lifestyle Strategy as the Default Option, as set out above, for those members of the Scheme who do not want to make a decision with regard to their investments.

The asset allocation strategies, including the Default Option, have been constructed following analysis of the existing membership of the Scheme. This analysis took into account factors such as age, accumulated fund values and term to retirement, to identify different types of member in order to test alternative investment strategies.

The design of the Default Option offered to members reflects this analysis, having carried out multiple simulations of future economic and investment scenarios, and also taking into account the various options members will have regarding the way in which they draw their benefits in retirement.

The aim of the Default Option is to provide members with the potential for higher levels of growth during the accumulation of their retirement savings though exposure to equities, and then to gradually diversify their investments in the years approaching retirement, to reduce volatility and provide a broad base of assets from which members can choose the type of benefits they wish to take.

The outcomes of the Default Option and other lifestyle strategies will be reviewed periodically with reference to the manner in which members take their benefits from the Scheme. This periodic review will also take into account any significant changes in the demographic profile of the relevant members.

9. Choosing Investments

The investment options offered to members are deemed appropriate, given the nature of the membership.

The Trustees have put in place the default option described above, in acknowledgement that some members will be unwilling or feel unable to make investment choices. A choice of alternative asset allocation strategies, as well as self-select fund options, are offered so members can tailor their investment selections, to meet their requirements, if they so wish.

Day to day management of the funds including the selection of the underlying investment manages and asset allocation structure is delegated to Aon's Delegated DC Service. The selection of stocks is delegated to the underlying investment managers used within each fund, as chosen by Aon's Delegated DC Service.

The Trustees take professional advice when formally reviewing the investment manager or fund options offered to members.

10. Potential Risks

The Trustees have considered risk from a number of perspectives.

The investment options made available to members have been chosen with the aim of enabling members to control the following risks:

- **Inflation risk**. The risk that the level of investment return over members' working lives will not keep pace with inflation and will not, therefore, secure an adequate retirement benefit.

- **Volatility risk**. The risk of significant short-term fluctuations in the value of members' invested capital which some members may be concerned about.

- **Capital risk**. The risk of a significant fall in the value of members' invested capital as they approach retirement.

- **Conversion risk**. The risk that relative market movements in the years just prior to retirement lead to a substantial reduction in benefits secured.

- **Environmental, Social and Governance (ESG) risk (including climate change).** The value of investments may be negatively impacted if ESG risks are not understood and evaluated properly. The Trustees consider ESG risk by taking advice from its investment advisors when setting the Scheme's strategy, selecting managers and monitoring performance having regard to the appropriate time horizon for the Scheme. More detail is included later in the SIP.

A number of other risks have also been considered when deciding on the investment options to make available to members:

- **Default option risk**. The risk of the default option being unsuitable for the requirements of some members. The Trustees have provided additional Lifestyle and individual fund options in addition to the default and has communicated to members the need to review their own requirements and circumstances before making any investment decisions.

- **Investment Manager Risk**. The risk that the selected investment managers underperform their objectives. The Trustees regularly reviews each fund's investment performance and takes ongoing advice from the investment adviser on the ongoing suitability of the funds and investment managers. The Trustees also provides passive options that avoid active management risk.

- **Diversification Risk**. The Trustees have chosen funds that are constructed from well diversified portfolios of assets to reduce the stock specific risk faced by the Scheme.

- **Liquidity Risk**. Being forced to sell investments to pay benefits in unfavourable financial market conditions. The Trustees have invested in unitised pooled funds which are easily redeemable.

- **Geared or speculative investments using derivatives**. The Trustees have not invested in funds that are geared or make speculative use of derivatives.

- **Credit Risk**. The risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The credit risk the scheme is exposed to arises from both holdings in the underlying funds, and through the investment in the BlackRock investment platform.

- **Market Risk**. The Scheme is subject to currency, interest rate and other price risk associated with the underlying investments on the Blackrock platform. These risks can impact the valuations of the funds. The Trustees have selected a wide range of funds to be available to allow members to suitably diversify their investments to manage these risks. This is also considered when setting the Lifestyle strategies. Further, the Trustees closely monitors the performance of the funds and receives formal quarterly reports from the investment adviser giving views on their continuing appropriateness, and that of the underlying fund managers.

- **The risk of fraud, poor advice or acts of negligence ("operational risk")**. The Trustees have sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustees consider these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustees' policy is to review the range of funds offered and the suitability of the Default Option periodically.

These risks are considered as part of each formal strategy review. In addition, the Trustees measure risk in terms of the performance of the assets compared to the benchmarks on a regular basis as part of each quarterly reporting cycle.

11. Custody

Investment in pooled funds gives the Trustees rights to the cash value of the units rather than to the underlying assets. The underlying investment manager of each of the pooled funds is responsible for the appointment and monitoring of the custodian of the fund's assets.

12. Expected Returns on Assets

Over the long-term the Trustee's expectations are:

- For units representing "growth" assets (UK equities, overseas equities, multi-asset funds and property) to achieve a real return (in excess of inflation) over the long term. The Trustees consider short-term volatility in equity price behaviour to be acceptable, given the general expectation that over the long-term equities will outperform the other major asset classes.
- For units representing monetary assets (UK bonds), to achieve a rate of return which is expected to be approximately in line with changes in the cost of providing fixed income annuities.

- For units representing inflation linked assets (UK index-linked bonds), to achieve a rate of return which is expected to be approximately in line with changes in the cost of providing real annuities that increase in line with inflation;
- For units representing cash, to protect the capital value of the investment and achieve a rate of return in line with money market interest rates.

Returns achieved by the investment manager are assessed against performance benchmarks set by the Trustees in consultation with its investment adviser and the investment manager. The Trustees review performance of the investment manager against its objectives on a quarterly basis.

13. Realisation of Investment / Liquidity

The Trustees recognise that there is a risk of holding assets that cannot easily be realised should the need arise. The majority of assets held on behalf of members are realisable at short notice (through the sale of units in pooled funds).

14. Responsible Investment

In setting the Scheme's investment strategy, including the default option, the Trustees' primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

Environmental, Social, and Governance ("ESG") considerations

The Trustees further acknowledge that an understanding of financially material considerations including environmental, social and corporate governance ("ESG") factors (such as climate change) and risks related to these factors can contribute to the identification of investment opportunities and financially material risks.

The Trustees have appointed AIL to manage the Scheme's assets. AIL invests in a range of underlying investment vehicles.

As part of AIL's management of the Scheme's assets, the Trustees expect AIL to:

- Where relevant, assess the integration of ESG factors (including long-term risks posed by sustainability concerns including climate change risks) in the investment process of underlying managers;
- Use its influence to engage with underlying managers to ensure the Scheme's assets are not exposed to undue risk; and
- Report to the Trustees on its ESG activities as required.

In addition, the Trustees intend to take the following steps to monitor and assess ESG-related risks and opportunities:

- Undertake periodic Trustee Training on Responsible Investment to understand how ESG factors, including climate change, could impact the Scheme's investment strategy.
- As part of the ongoing monitoring of the Scheme's investments, the Trustees will use ESG ratings information on the underlying investment managers provided by the Scheme's

investment advisers, where relevant and available, to monitor the level of integration of ESG on a regular basis.

- Include ESG-related risks, including climate change, on the Scheme’s risk register as part of ongoing risk assessment and monitoring.

- Develop a standalone Responsible Investment Policy which aims to capture greater detail around the Trustees’ beliefs and views on the topic.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme’s investment strategy the Trustees do not explicitly 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 matters (defined as "non-financial factors").

However, the Trustees recognise the importance of offering a suitable range of investment options for members, and will consider views from members and other stakeholders, including views in relation to social and environmental impact, or views with respect to non-financial matters.

The Trustees have made the Ethical and Shariah compliant funds available to members who would like to invest in funds with these specific considerations. The underlying funds that make up the Default Option and other self-select funds should not apply personal ethical or moral judgements as the sole basis for an investment decision.

15. Stewardship - Engagement and the Exercise of the Rights Attaching to Investments

The Trustees recognise the importance of its role as a steward of capital and the need to assess all financially material risks in its investment decision making process. This includes risks associated with climate change, as well as other ESG-related factors. To this end, the Trustees strive to maintain a high standard of governance, promotion of corporate responsibility and respect of environmental factors throughout the Scheme's portfolio. The Trustees believe that doing so ultimately creates long-term financial value and reduces risk for the Scheme and its members.

The Trustees carefully review AIL's approach to stewardship, and other ESG-related matters, and communicates its expectations and standards to AIL. These standards include:

- The Trustees expect AIL to be a signatory to the PRI;

- The Trustees expect AIL to ensure that, where appropriate, underlying asset managers use their influence as major institutional investors to exercise the Scheme's rights and duties as a shareholder;

- The Trustees expect AIL to provide adequate transparency around stewardship activities, including an annual report on the stewardship activities of the underlying managers.

The Trustees will engage with AIL as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Scheme, in particular where: votes were cast against management; votes against management generally were significant; votes were abstained; and voting differed from the voting policy of the underlying investment manager. Furthermore, where voting is concerned, the Trustees expect underlying investment managers to recall stock lending, as necessary, in order to carry out voting actions.

The disclosures offered for engagements should include the objectives and relevance to the fund, methods of engagement, progress and perspectives around shortcomings and outcomes to date, as well as escalation points and procedures as necessary.

The Trustees review the AIL's stewardship activity on an annual basis to ensure the Scheme's stewardship policy is being appropriately implemented in practice. The Trustees do so to ensure that AIL acts in a manner that is consistent with the Trustees' policies and objectives. If AIL is found to fall short of the standards set by the Trustees, it is expected to provide satisfactory explanations as to why it is not. While the Trustees may seek to engage with AIL if it is deemed to be falling short of its standards to reach a more sustainable position, failure to comply may result in a decision to replace it.

The Trustees may engage with AIL, who in turn is able to engage with underlying investment managers, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made. Where a significant concern is identified, the Trustees will consider, on a case by case basis, a range of methods by which it would monitor and engage so as to bring about the best long-term outcomes for the Scheme.

16. Effective Decision Making

The Trustees recognise that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. The Trustees also recognise that where they take investment decisions (for example, when making changes to the three asset allocation strategies or the Self-Select fund options) they must have sufficient expertise and appropriate training to be able to evaluate critically any advice received.

17. Additional Voluntary Contribution Arrangements

Some members obtain further benefits by paying additional contributions (Additional Voluntary Contributions or AVCs) to the Scheme. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions. All funds made available to members are open to AVCs.

From time to time the Trustees will review the choice of investments available to members to ensure that they remain appropriate to the members' needs.

18. Cost Transparency

The Trustees' investment advisers are paid for advice received on the basis of the time spent by the adviser. For significant areas of advice (for example large projects, such as a review of the asset allocation strategies), the Trustees may agree a project budget. These arrangements recognise the bespoke nature of the advice given, and that no investment decisions have been delegated to the adviser.

AIL is remunerated as a set percentage of the assets under management. This is in keeping with market practice. Annual investment management charges (including other annual charges levied by the investment manager and some administration charges) are met by the members by deduction from the unit price.

The Trustees assess the (net of all costs) performance of AIL over at least rolling 3-year periods for both the Default Option and wider range of funds offered to members by comparing performance against benchmark and the stated investment objective.

The Trustees are aware of the importance of monitoring AIL's total costs and the impact these costs can have on the overall value of members' assets. The Trustees recognise that in addition to annual management charges, there are other costs incurred by investment managers that can increase the overall cost incurred by their investments.

The Trustees therefore believe it is important to understand all the different costs and charges, which are paid by members (through a deduction from the unit price). These include:

- explicit charges, such as the annual management charge, and additional expenses that are disclosed by fund managers as part of the Total Expense Ratio ('TER');
- implicit charges, such as the portfolio turnover costs (transaction costs) borne within a fund. The Trustees define portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the fund's portfolio. These are incurred on an ongoing basis and are implicit within the performance of each fund.

The Trustees collect information on these member-borne costs and charges on an annual basis from AIL, where available, and sets these out in the Scheme's annual Chair's Statements which are made available to members in a publicly accessible web-location.

The Trustees also expect to receive annual cost transparency reports from AIL. These reports present information in line with prevailing regulatory requirements for fiduciary managers. They clearly set out on an itemised basis:

- The total amount of investment costs incurred by the Scheme;
- The fees paid to AIL;
- The fees paid to the investment managers appointed by AIL;
- The amount of portfolio turnover costs (transaction costs) incurred by the investment managers appointed by AIL;
    - The Trustees define portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the investment managers appointed by AIL;
- Any charges incurred through the use of pooled funds (custody, admin, audit fees etc.);
- The impact of costs on the investment return achieved by the Scheme.

The Trustees acknowledge that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager. AIL monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the investment managers appointed on behalf of the Trustees.

The Trustees delegate the management of the underlying manager cost transparency relationships to AIL, however the Trustees expects full compliance with the provision of the cost transparency disclosure templates and that AIL reports back any non-compliance immediately.

The Trustees benefit from the economies of scale provided by AIL in two key cost areas:

- The ability of AIL to negotiate reduced annual management charges with the appointed investment managers;

  The ability of AIL to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the investment managers and achieve efficiencies where possible.

Signed:

Chris Bannister	.... Signature	28/09/2020................... Date
Jon Burgess	.... Signature	28/09/2020................... Date

Appendix to Statement of Investment Principles

This Appendix is supplementary to the Trustees' Statement of Investment Principles (the "Statement") and provides information on the fund options that are used in the three asset allocation strategies and available through the self-select fund range.

The Trustees have decided to implement the Scheme's DC investment strategy through Aon's Delegated DC Services. Under this approach, the Trustees delegate the selection of the platform provider, available fund range and day to day management of the funds to Aon, through Aon Investments Limited (AIL).

Asset class options

The table below provides details of the funds used within the Scheme's DC investment strategy and for each fund option indicates whether it is available as a self-select fund option and used within each of the three asset allocation strategies. Full details and fund factsheets are available at www.westpacpensions.co.uk

Fund	Self-Select	Drawdown Lifestyle	Annuity Lifestyle	Cash Lifestyle
Aon Managed Initial Growth Phase Fund	✘	✓	✓	✓
Aon Managed Diversified Asset Fund	✓	✓	✓	✓
Aon Managed Bond Phase Fund	✓	✓	✓	✓
Aon Managed Short Term Inflation Linked Fund	✘	✓	✓	✓
Aon Managed Long Term Inflation Linked Fund	✓	✓	✓	✓
Aon Managed Pre-Retirement Bond Fund	✓	✘	✓	✘
Aon Managed Liquidity Fund	✓	✘	✓	✓
Aon Managed Global Equity Fund	✓	✘	✘	✘
Aon Managed Property and Infrastructure Fund	✓	✘	✘	✘
Aon Managed Active Global Equity Fund	✓	✘	✘	✘
LGIM Ethical Global Equity Index Fund	✓	✘	✘	✘
HSBC Islamic Fund	✓	✘	✘	✘

Investment Management Arrangements

The following table describes the mandates given to the investment manager within each asset class.

Fund	Benchmark	Target
Aon Managed Initial Growth Phase Fund	90% MSCI All Country World Index 7% FTSE EPRA/NAREIT Developed Index 1.5% BNYM CAPS pooled fund survey median 1.5% FTSE Macquarie Global Infrastructure	To outperform the benchmark
Aon Managed Diversified Asset Fund	SONIA	To outperform the benchmark by 3.25% p.a. over a full market cycle
Aon Managed Bond Phase Fund	50% 3-month LIBOR GBP 50% iBoxx Sterling Non-Gilts All Stocks Index	To outperform the benchmark by 1.5% pa over rolling three-year periods
Aon Managed Short Term Inflation Linked Fund	FTSE UK Gilts Up to 5 Year Index-Linked Gilts Index	To perform in line with the benchmark
Aon Managed Long Term Inflation Linked Fund	FTSE UK Gilts Index-Linked Over 5 Years Index	To perform in line with the benchmark
Aon Managed Pre-Retirement Bond Fund	Manager bespoke	To perform in line with the benchmark
Aon Managed Liquidity Fund	7 Day LIBID Rate	To perform in line with the benchmark
Aon Managed Global Equity Fund	MSCI All Country World Index	To outperform the benchmark
Aon Managed Property and Infrastructure Fund	70% FTSE EPRA/NAREIT Developed Index 15% AREF/IPID UK Quarterly All Balanced Property Index 15% FTSE Developed Core Infrastructure Index	To outperform the benchmark
Aon Managed Active Global Equity Fund	MSCI World Index	To outperform the benchmark
LGIM Global Ethical Index Fund	FTSE4Good Global Index	To perform in line with the benchmark
HSBC Islamic Fund	Dow Jones Islamic Titans 100 Index	To perform in line with the benchmark

Summary of investment management fee arrangements

As at the 30 June 2020, the Annual Management Charge (AMC), Additional Fund Expenses (AFE) and Total Expense Ratio (TER) that applies to each of the funds used by Scheme are set out in the table below. It should be noted that these figures will change from time to time as the underlying managers / structure of each of the funds change. The fee payable to AIL under Aon's Delegated DC Services for the management of the Delegated DC Funds is 0.15% pa; this is included in the AMCs and TERs shown below. The AMCs can fluctuate (up or down) and therefore should not be considered fixed at the levels below. Additional Fund Expenses may also vary. Details of the latest fund charges are available at www.westpacpensions.co.uk

Fund	AMC % pa	AFE % pa	TER % pa
Aon Managed Initial Growth Phase Fund	0.26	0.05	0.31
Aon Managed Diversified Asset Fund	0.40	0.09	0.49
Aon Managed Bond Phase Fund	0.38	0.03	0.41
Aon Managed Short Term Inflation Linked Fund	0.20	0.00	0.20
Aon Managed Long Term Inflation Linked Fund	0.20	0.00	0.20
Aon Managed Pre-Retirement Bond Fund	0.32	0.00	0.32
Aon Managed Liquidity Fund	0.20	0.03	0.23
Aon Managed Global Equity Fund	0.23	0.05	0.28
Aon Managed Property and Infrastructure Fund	0.48	0.01	0.49
Aon Managed Active Global Equity Fund	0.82	0.03	0.85
LGIM Global Ethical Index Fund	0.35	0.00	0.35
HSBC Islamic Fund	0.35	0.00	0.35