THE BANK OF INDIA PENSION AND LIFE ASSURANCE SCHEME

STATEMENT OF INVESTMENT PRINCIPLES

SEPTEMBER 2020

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1 INTRODUCTION

This Statement of Investment Principles ("the Statement") has been prepared by the Trustees of the Bank of India Pension and Life Assurance Scheme ("the Scheme") in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Scheme and the activities undertaken by the Trustees to ensure the effective implementation of these principles.

In preparing the Statement, the Trustees have:

- obtained and considered written advice from a suitably qualified individual, employed by their investment consultants, Mercer Limited ("Mercer") whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustees' investment policy for the Scheme.

The Trustees will review the Statement formally at least every three years to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. Furthermore, the Trustees will review the Statement without delay after any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

2 INVESTMENT OBJECTIVES

The Trustees' primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustees have also received confirmation from the Scheme Actuary during the process of revising the investment strategy that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

3 INVESTMENT RESPONSIBILITIES

3.1 TRUSTEES' DUTIES AND RESPONSIBILITIES

The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives. They carry out their duties and fulfil their responsibilities as a single body.

They have considered establishing an investment sub-committee but have decided not to do so, as each of the Trustees wishes to contribute directly to the formulation of the Scheme's investment policy and to the monitoring of the Scheme's investment managers. Moreover, the trustee body is not so large as to be unwieldy in its operations. Sub-committees may be formed from time to time to examine specific issues.

The duties and responsibilities of the Trustees include, but are not limited to, the following tasks and activities:

- The regular approval of the content of the Statement
- The appointment and review of the investment managers and investment adviser
- The assessment and review of the performance of each investment manager
- The setting and review of the investment parameters within which the investment managers can operate
- The assessment of the risks assumed by the Scheme at total scheme level and manager by manager
- The approval and review of the asset allocation benchmark for the Scheme
- The compliance of the investment arrangements with the principles set out in the Statement

3.2 INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustees seek advice from Mercer as and when they require it, as well as raising any investment-related issues, of which it believes the Trustees should be aware. Matters on which the Trustees are expected to seek advice include the following:

- Setting of investment objectives
- Determining investment strategy and asset allocation
- Determining an appropriate investment structure
- Setting cashflow management (investment and withdrawal) policies

The Trustees may seek advice from Mercer with regard to both strategic and tactical investment decisions (see Section 4 - Investment Strategy); however, they recognise that they retain responsibility for all such decisions, including those that concern investments and disinvestments relating to cashflows. Mercer may be proactive in advising the Trustees regarding tactical investment decisions; however, there is no responsibility placed on Mercer to be proactive in all circumstances.

Mercer is remunerated primarily on a fixed fee basis. Mercer does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of their advice. The Trustees believe that this is the most appropriate adviser remuneration structure for the Scheme.

Mercer is authorised and regulated by the Financial Conduct Authority ("FCA").

3.3 ARRANGEMENTS WITH INVESTMENT MANAGERS

The Trustees are long term investors and do not look to change the investment arrangements on a frequent basis.

The Trustees, have appointed professional, authorised investment managers to manage the assets of the Scheme.

The details of the manager’s mandate and the basis of the contracts between the Trustees and their investment managers are set out in Appendix 2.

In particular, the investment managers are responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage.

In the case of multi-asset mandates, the investment managers are responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

The investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset classes being selected.

The Trustees look to their investment advisor for their forward looking assessment of a manager’s ability to deliver upon its stated objectives over a full market cycle. This view will be based on the advisor’s assessment of the manager’s idea generation, portfolio construction, implementation and business management, in relation to the particular investment that the Fund invests in. The investment advisor’s manager research ratings assist with due diligence and questioning managers during presentations to the Trustees. These ratings are used in decisions around selection, retention and removal of manager appointments.

If the investment objective for a particular manager changes, the Trustees will review the Fund’s appointment to ensure it remains appropriate and consistent with the Trustees’ wider investment objectives. As the Scheme invests in pooled investment vehicles, the Trustees accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

All of the investment managers engaged by the Trustees are authorised and regulated by the FCA.

The investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Scheme, which reduces the chance of managers making short-term investment decisions to hit profit targets. The Trustees consider that the method of remunerating fund managers is consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, it will in turn encourage the investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The Trustees believe that this is the most appropriate basis for remunerating managers.

The investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed. If the Trustees are dissatisfied, then they will look to review the appointments.

3.4 SUMMARY OF RESPONSIBILITIES

A summary of the responsibilities of all relevant parties, including the Scheme Actuary and the scheme administrators, so far as they relate to the Scheme’s investments, is set out at Appendix 3.

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY

The Trustees have determined their investment strategy after considering the Scheme's liability profile and their own appetite for risk, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant.

The strategy is unchanged since the last SIP and the Trustees' investment strategy is as follows:

- The liabilities are payable over the longer-term and are predominantly salary-related. Based on actuarial advice, there are no current liability constraints affecting asset allocation policy.

4.2 INVESTMENT DECISIONS

The Trustees distinguish between three types of investment decision: strategic, tactical and stock-level.

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Scheme.

The Trustees take all such decisions themselves and obtain written advice where they deem necessary. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the growth and the stabilising portfolios
- Determining the allocation to asset classes within the growth and stabilising portfolios
- Determining the Scheme benchmark
- Reviewing the investment objectives and strategic asset allocation

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

These decisions are the responsibility of the Trustees. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the fund.

Stock Selection Decisions

All such decisions are the responsibility of the investment managers of the pooled funds in which the Scheme is invested.

4.3 TYPES OF INVESTMENTS TO BE HELD

The Trustees are permitted to invest across a wide range of asset classes, including, but not limited to, the following:

- UK and Overseas Equities
- UK and Overseas Government Bonds, Fixed and Inflation-linked

- UK and Overseas Corporate Bonds
- Convertible Bonds
- Property
- Commodities
- Hedge Funds
- Private Equity
- High Yield Bonds
- Emerging Market debt
- Diversified Growth
- Liability Driven Investment Products
- Cash

The use of derivatives is as permitted by the guidelines that apply to the pooled funds. Details relating to the pooled funds can be found in Appendix 2.

4.4 FINANCIALLY MATERIAL CONSIDERATIONS

The Trustees understand that they must consider all factors that have the ability to impact the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Trustees recognise that ESG factors, such as climate change, can influence the investment performance of the Scheme's portfolio and it is therefore in members' and the Scheme's best interests that these factors are taken into account within the investment process.

As noted earlier, the Scheme's assets are invested in pooled funds. The Trustees accept the fact that they have very limited ability to influence the ESG policies and practices of the companies in which their managers invest. The Trustees will therefore rely on the policies and judgement of their investment manager.

The Trustees will also consider the investment adviser's assessment of how the investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustees' objectives. This includes the investment managers' policy on voting and engagement. The Trustees will use this assessment in decisions around selection, retention and realisation of manager appointments.

4.5 NON-FINANCIAL CONSIDERATIONS

The Trustees' objective is that the financial interests of the Scheme's members are its first priority when choosing investments. Therefore the Trustees will only consider factors that are expected to have a financial impact on the Plan's investments. . The views of the members of the Scheme will not be sought.

4.6 CORPORATE GOVERNANCE, VOTING AND STEWARDSHIP POLICY

The Trustees' policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the Scheme's investment managers. The Trustees expect the investment managers to use their discretion to act in the long-term financial interests of investors and exercise these rights in accordance with their respective published corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustees note that the investment managers' corporate governance policies are available on request and on their respective websites. The Trustees can review these policies and challenge manager decisions that appear out of line with the investment fund's objectives or the objectives/policies of the Scheme.

Where the Trustees are specifically invited to vote on a matter relating to corporate policy, the Trustees will exercise their right in accordance with what they believe to be the best interests of the majority of the Scheme's membership.

5 RISK

The Trustees are aware, and seek to take account of a number of risks in relation to the Scheme's investments, including the following:

Under the Pensions Act 2004, the Trustees are required to state their policy regarding the ways in which risks are to be measured and managed. These are set out below.

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- These are managed by setting a scheme-specific strategic asset allocation with an appropriate level of risk.

Manager Risk

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process.

Liquidity Risk

- This is monitored according to the level of cashflows required by the Scheme over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The majority of the Scheme's assets are invested in quoted markets and are as readily realisable as the Trustees feel appropriate given the cashflow position of the Scheme and the expected development of the Scheme's liabilities, both of which are monitored by the Trustees.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through assessment of the levels of diversification within the investment policy.

Sponsor Risk

- This is assessed as the level of ability and degree of willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit.
- It is managed by assessing the interaction between the Scheme and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor. Regular updates on employer covenant are provided to the Trustees by senior staff of the sponsor.

Legislative Risk

- This is the risk that legislative changes will require action from the Trustees so as to comply with any such changes in legislation.
- The Trustees acknowledge that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Credit Risk

- This is 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 Trustees acknowledge that the assessment of credit risk on individual debt instruments is delegated to the investment manager. The Trustees will however ensure that they are comfortable with the amount of risk that the Scheme's investment manager takes.

Market Risk

- This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of the following three types of risk: currency risk, interest rate & inflation risk, and other price risks.

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, it may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.

Interest Rate & Inflation risk

- This is the risk that an investment's value will change due to a change in the level of interest rates and market implied inflation. This affects debt instruments more directly than growth instruments.
- The Trustees recognise that the Scheme's liabilities are exposed to a significant level of interest rate and inflation risk and for this reason it is desirable for the Scheme's assets to be exposed to a similar level of risk. The Trustees manage the Scheme's interest rate and inflation risks by considering the net risk when taking account of how the liabilities are valued.
- The Trustees acknowledge that the interest rate risk related to individual debt instruments, and particularly liability driven instruments (LDI), is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management, and hedging via swaps, particularly where LDI is involved.

Other Price Risk

- This is the risk of volatility that principally arises in relation to the return seeking assets.
- The Trustees acknowledge that a scheme can manage its exposure to price risk by investing in a diverse portfolio across various markets.

ESG risk

- This is the risk that Environmental, Social, or Corporate Governance concerns, including climate change, have a financially material impact on the return of Scheme's assets.
- The Trustees intend to manage this risk by starting to develop an understanding of the ESG policies of the Scheme's managers and using this to formulate views as to the appropriateness of such policies.
- The exercise of voting rights are delegated to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are provided to the Trustees from time to time and take into account the financial interests of the shareholders, which should ultimately be to the Scheme's advantage.
- The Trustees are aware that Responsible Investing is one of the core beliefs of the investment adviser. As a result, part of the rating process of the investment adviser and decision making process of the investment manager in relation to the underlying investment managers is based on its financial stewardship and how well the investment manager integrates governance and sustainability into its investment process.

6 MONITORING OF INVESTMENT ADVISER AND MANAGERS

6.1 INVESTMENT ADVISER

The Trustees continually assess and review the performance of their adviser in a qualitative way.

6.2 INVESTMENT MANAGERS

The Trustees receive regular asset statements and quarterly performance reports from each of their appointed investment managers. This presents performance information over 3 months, 1 year and 3 years. The Trustees review the absolute and relative performance against a suitable index used as the benchmark, and against the manager's stated target performance (over the relevant time period) on a net of fees basis. The Trustees' focus is on long term performance, but may put a manager 'on watch' if there are short term performance concerns.

If a manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustees may ask the manager to review their fees.

In addition the Trustees receive verbal reports from Mercer on their investment managers and the performance of underlying funds against their benchmarks and performance objectives at Trustee meetings, which are recorded in the minutes.

The Trustees are long term investors and do not look to change the investment arrangements on a frequent basis. All funds are open-ended with no set duration for their appointments.

They take a long term view when assessing whether to replace the investment managers, and such decisions would not be made based solely on short-term performance concerns. Instead, changes would be driven by a significant downgrade of the investment manager by Mercer's Manager Research Team. This in turn would be due to a significant reduction in Mercer's confidence that the investment manager will be able to perform in line with their fund's mandate over the long term.

Changes will be made to the managers however if there is a strategic change to the overall strategy that no longer requires exposure to a particular asset class or manager.

6.3 PORTFOLIO TURNOVER COSTS

The Trustees do not currently monitor portfolio turnover costs for the funds in which the Scheme is invested, although they note that the performance monitoring received from Mercer is net of all charges, including such costs. Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments.

Given that the Scheme invests in a wide range of pooled funds, many of which invest across a wide range of asset classes, the Trustees do not have an overall portfolio turnover target for the Scheme.

However, the Trustees recognise that portfolio turnover and associated transaction costs are a necessary part of portfolio management and therefore expect Mercer to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

7 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

The Scheme provides a facility for members to pay for Additional Voluntary Contributions ("AVCs") to enhance their benefits at retirement. Members are offered a range of funds in which to invest their AVCs.

8 CODE OF BEST PRACTICE

The Trustees note that in March 2017 the Pensions Regulator released ‘Investment Guidance for Defined Benefit Pension Schemes’.

The Trustees have received training in relation to this guidance and is satisfied that the investment approach adopted by the Scheme is consistent with the guidance so far as it is appropriate to the Scheme’s circumstances.

The Trustees meet with their investment adviser on a regular basis, monitoring developments both in relation to the Scheme’s circumstances and in relation to evolving guidance, and will revise the Scheme’s investment approach if considered appropriate.

9 COMPLIANCE

The Scheme's Statement of Investment Principles and annual report and accounts are available to members on request.

A copy of the Scheme's current Statement plus Appendices is also supplied to the Sponsoring Employer, the Scheme's investment managers, the Scheme's auditors and the Scheme Actuary, as well as being available on the Sponsoring Employer's website.

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Trustees on ....

Signed on behalf of the Trustees by	....	....
On	....	....
Full Name	....	....
Position	....	....

APPENDIX 1: ASSET ALLOCATION BENCHMARK

The Scheme's initial strategic asset allocation benchmark is set out below.

Asset Class	Strategic Allocation
Matching Nominal Gilt Fund	73%
Long Dated Corporate Bond Fund	12%
Managed Balanced Fund	15%
Total	**100%**

APPENDIX 2: INVESTMENT MANAGER INFORMATION

The Scheme invests with Schroders Investment Management within the Trustees' agreed investment strategy as set out in Appendix 1.

The tables below show the details of the mandate(s) with Schroders.

ASSET INFORMATION

Manager / Fund	Benchmark	Objective	Dealing Frequency	SORP / IFRS Class
Schroders Matching Nominal Gilt Fund	To outperform the Bloomberg Barclays Custom 2038 – 2057 Gilt Index	The Funds' investment objectives are to provide exposure to the return on gilts within set maturity bands by investing in a portfolio of sterling denominated fixed interest gilts, cash and cash funds.	Daily	(a) / 1
Schroders Managed Balanced Fund	CAPS Pooled Fund Median +1% p.a. over rolling 3 year periods	The Fund gives a balanced exposure to UK and overseas equities and fixed income securities, through a range of Underlying authorised unit trusts, recognised schemes and collective investment schemes.	Daily	(a) / 1
Schroders Long Dated Corporate Bond Fund	Bank of America Merrill Lynch Over 15-year Non-Gilts Index	The fund aims to outperform the Bank of America Merrill Lynch Over 15-year Non-Gilts Index.	Daily	(a) / 1

For avoidance of doubt, this statement will not be updated solely in response to a replacement of one of the underlying investment managers.

APPENDIX 3: RESPONSIBILITIES OF PARTIES

TRUSTEES

The Trustees' responsibilities include the following:

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with the Investment Adviser and modifying it if deemed appropriate
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the Investment Adviser and Scheme Actuary
- Appointing the Investment Manager(s) and custodian (if required)
- Assessing the quality of the performance and processes of the Investment Manager(s) by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Adviser
- Consulting with the sponsoring employer regarding any proposed amendments to this Statement
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis

INVESTMENT ADVISER

The Investment Adviser’s responsibilities include the following:

- Participating with the Trustees in reviews of this Statement of Investment Principles
- Advising the Trustees, at their request, on the following matters:
  - Through consultation with the Scheme Actuary, how any changes within the Scheme’s benefits, membership, and funding position may affect the manner in which the assets should be invested
  - How any significant changes in the Investment Managers’ organisation could affect the interests of the Scheme
  - How any changes in the investment environment could present either opportunities or problems for the Scheme
- Undertaking project work, as requested, including:
  - Reviews of asset allocation policy
  - Research into and reviews of Investment Managers
  - Advising on the selection of new managers and/or custodians

INVESTMENT MANAGERS

The Investment managers’ responsibilities include the following:

- Providing the Trustees on a quarterly basis (or as frequently as required) with a statement and valuation of the assets and a report on their actions and future intentions, and any changes to the processes applied to their portfolios
- Informing the Trustees of any changes in the internal performance objectives and guidelines of any pooled fund used by the Scheme as and when they occur
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments
- Giving effect to the principles contained in the Statement as far as is reasonably practicable

SCHEME ACTUARY

The Scheme Actuary’s responsibilities include the following:

- Liaising with the Investment Adviser regarding the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme
- Assessing the funding position of the Scheme and advising on the appropriate response to any shortfall
- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels

ADMINISTRATOR

The Administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due
- Paying benefits and making transfer payments
- Investing contributions not required to meet benefit payments with the Investment Managers according to the Trustees' instructions.

CUSTODIAN

The Custodian's responsibilities within the pooled funds include the following:

- The safekeeping of the assets of the Scheme.
- Providing the Trustees with quarterly statements of the assets, cash flows and corporate actions.
- Undertaking all appropriate administration relating to the Scheme's assets.
- Processing all dividends and tax reclaims in a timely manner.
- Dealing with corporate actions.