AMNESTY INTERNATIONAL SUPERANNUATION SCHEME – DB SECTION

STATEMENT OF INVESTMENT PRINCIPLES

AUGUST 2020

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1 INTRODUCTION

This Statement of Investment Principles ("the Statement") has been prepared the "Trustees", as Trustees of the Amnesty International Superannuation 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. It replaces the Statement dated September 2019.

In preparing the Statement, the Trustees have:

- obtained and considered written advice from a suitably qualified individual, employed by their investment Adviser, 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 Principal Employer, although it affirms that no aspect of its 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 Scheme is Exempt Approved and consists of two sections; the Final Salary/Defined Benefit (DB) section and the Money Purchase/Defined Contribution (DC) section. This statement covers the Final Salary/DB Section.

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

Trustees Duties and Responsibilities

The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives.

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 choice of appropriate funds with the investment managers
- The assessment of the risks assumed by the Scheme at a total scheme level as well as on a manager by manager basis
- 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 have appointed Mercer as the investment adviser to the Scheme. Mercer provides investment advice as required by the Trustees, as well as raising any investment-related issues, of which it believes the Trustees should be aware. Matters on which Mercer expects to provide advice to the Trustees include the following:

- Setting of investment objectives
- Determining investment strategy and asset allocation
- Determining an appropriate investment structure
- Assistance in determining funds and investment managers that are suitable to meet the Trustees' objectives
- Setting cashflow management (investment and withdrawal) policies (see Appendix 2)

The Trustees may seek advice from Mercer with regard to both strategic and tactical investment decisions (see Section 4 - Investment Strategy). However, the Trustees recognise that it retains responsibility for all such decisions, including those that concern investments and disinvestments relating to cash flows (see Appendix 2). 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 monitors the performance of the Scheme's investment managers against their benchmarks.

Mercer will also advise the Trustees of any significant developments of which it is aware relating to the investment managers, or funds managed by the investment managers in which the Scheme is invested, such that in its view there exists a significant concern that any of these funds will not be able to meet their long-term objectives.

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 believes that this is the most appropriate adviser remuneration structure for the Scheme.

Mercer makes a fund based charge for the services it provides as set out in its investment agreement with the Trustees.

Any additional services provided by Mercer will be remunerated primarily on a time-cost basis.

In particular, Mercer does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of their advice.

The Trustee is satisfied 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 INVESTMENT MANAGERS' DUTIES AND RESPONSIBILITIES

The Trustees are long term investors and do not look to change the investment arrangements on a frequent basis. All the funds are open-ended with no set end date for the arrangement. The investment strategy is reviewed on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the investment strategy.

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

The details of each manager's mandate and the between the Trustees and its investment managers are set out in Appendix 3.

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.

All of the investment managers engaged by the Trustees are authorised and regulated by the Financial Conduct Authority ("FCA"), the Prudential Regulation Authority ("PRA"), or both.

The investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Scheme.

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 class in which they invest.

The Trustees consider its Investment Adviser's forward-looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on an assessment of the manager's idea generation, portfolio construction, implementation and business management in relation to the particular investment fund that the Scheme invests in.

The Trustees consider how ESG and stewardship are integrated into the investment process as well as ensuring fees are competitive within the asset class. The Trustees also consider the Investment Adviser's manager research ratings when taking decisions on selection and retention of manager appointments.

If the investment objective for a particular manager's fund changes, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.

As the Trustees invest in pooled investment vehicles, they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates have been selected to align with the overall investment strategy.

None of the underlying managers in which the Scheme's assets are invested have performance based fees which could encourage the manager to make short term investment decisions to hit their profit targets.

The Trustees therefore 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 accept that they cannot influence the charging structure of the pooled funds in which the Scheme is invested, but are satisfied that the ad-valorem charges for the different underlying funds are clear and are consistent with each fund's stated characteristics. The Trustees are therefore satisfied that this the most appropriate basis for remunerating the underlying investment managers and is consistent with the Trustee's policies as set out in this SIP.

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

3.4 SCHEME ACTUARY'S DUTIES AND RESPONSIBILITIES

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

3.5 ADMINISTRATOR'S DUTIES AND RESPONSIBILITIES

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 Manager according to the Trustee's instructions

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY

The Trustees have determined the investment strategy after considering the Scheme's liability profile and requirements of the Statutory Funding Objective, their own appetite for risk, the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant. The Trustees have also received written advice from their Investment Adviser.

Taking all these factors into consideration, the Trustees have determined that the benchmark asset allocation, as set out in Appendix 1, is suitable for the Scheme.

In making this decision, the Trustees are satisfied that this is consistent with their investment objectives and is supported by both the Sponsoring Employer, and the Sponsoring Employer's covenant.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustees have decided on a structured approach to re-balance the assets in accordance with the overall strategy. This approach is set out in Appendix 2.

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. They do so after receiving written advice from their investment adviser and consulting with the Sponsoring Employer. 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 matching portfolios
- Determining the allocation to asset classes within the growth and matching 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. All the funds in which the Scheme invests are pooled and unitised, with the exception of the segregated mandate with Psigma. 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 3.

The Trustees recognise the benefits of diversification across growth asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. The Trustees have therefore decided to invest in Diversified Growth Funds (DGFs), which are actively managed multi-asset funds. The managers of the DGFs invest in a wide range of assets and investment contracts in order to implement their market views.

The Trustees note that the actuarial value of the Scheme's future benefits payments to members is sensitive to changes in long term interest rates and long term inflation expectations. The Trustees have decided to invest in Liability Driven Investment ("LDI") funds which aim to respond in a similar way to changes in these factors and reduce the volatility of the Scheme's funding position. This is referred to as hedging.

4.4 FINANCIALLY MATERIAL CONSIDERATIONS

The Trustees recognise that Environmental, Social and Governance (ESG) factors, including 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 and that ESG risks are identified and managed appropriately.

The Trustees believe that investing with a manager that approaches investments in a responsible way and takes account of ESG-related risks will lead to better risk adjusted performance; as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken.

Therefore, the Trustees will work with the Investment Consultant to help select the investment managers that have passed the initial ESG screening. ESG screening will involve some of the following activities, but is not limited to:

- ensuring the managers are signatories to UNPRI,
- reviewing the managers' own ESG policies,
- investigating the extent to which these policies are integrated into their standard procedures of investment research and analysis etc.

The Trustees have also established a segregated mandate with Psigma which is made up of the FTSE All Share Index excluding:

- FTSE Mining;,
- FTSE Industrial Metals & Mining;
- FTSE Aerospace & Defence;
- FTSE Equity Investment Instruments; and,
- FTSE Oil & Gas Producers.

There are also restrictions on investing in companies involved in "arms" and illegally logged timber. Psigma has provided a copy of their policies on this subject and the Trustees are satisfied that they are consistent with this approach.

The Trustees will continue to review the available products and approaches in this space and strive for the Scheme to continue to deliver strong risk-adjusted returns, incorporating responsible investments principles into the process, where possible.

4.5 NON-FINANCIAL MATTERS

The Trustees only consider factors that are expected to have a financial impact on the Scheme's investments. The Trustees do not explicitly take into account non-financial matters in the selection, retention and realisation of investments.

4.6 STEWARDSHIP

The Scheme is invested solely in pooled investment funds, with the exception of the segregated mandate with Psigma. The Trustees' policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment managers and Psigma and expects the investment managers to use their discretion to act in the long term financial interests of investors.

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

The Trustees are supportive of the UK Stewardship Code published by the Financial Reporting Council and encourage the Scheme's underlying managers to comply with the UK Stewardship Code. Such managers are expected to report on their adherence to the Code on an annual basis. For managers that choose not to comply with any of the principles in the UK Stewardship Code, or not to follow the guidance at all, the Trustees will request a clear rationale from the managers on their alternative approach to stewardship.

5 RISK

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.
- They are managed by setting a scheme-specific strategic asset allocation with an appropriate level of risk, and by monitoring the development of the funding position on a Quarterly basis.

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 managed by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process.
- It is also managed by diversifying the investments across more than one manager.

Liquidity Risk

- This is monitored according to the level of cash flows required by the Scheme over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Scheme's assets are invested in pooled funds which are readily realisable.

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 investing in funds which give a wide degree of diversification.

Corporate Governance Risk

- This is assessed by reviewing the Scheme's investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights 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.

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.
- It is also managed by seeking to reduce the level of risk within the Scheme over time, to reduce the reliance on the covenant of the employer.

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 is associated with the inability of a borrower to repay, in full or part the monies which it owes to a creditor.
- The Scheme invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.
- The Scheme's holdings in pooled investment vehicles are unrated, alongside the segregated mandate. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The same protection applies to the segregated mandate.
- Indirect credit risk arises in relation to underlying bond investments held in the pooled funds. This risk is mitigated by investing in funds with diversified portfolios.

Market Risk

- This is the risk that 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

- 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, the Scheme 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.
- Except in the case of emerging market equities, where currency hedging is not practicable, the overseas equities are invested in currency hedged funds for the Scheme
- Within the Diversified Growth Funds, the management of the currency risk related to overseas investments is delegated to the underlying investment managers, but by investing in a diversified investment portfolio, the impact of currency risk is mitigated.

Interest Rate Risk

- This is the risk that an investments' value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.
- The Trustees recognises that the Scheme's liabilities are exposed to a significant level of interest rate risk movement and for this reason it is desirable for the Scheme's assets to be exposed to a similar level of interest rate risk.

Other Price Risk

- This is the risk that principally arises in relation to the return seeking portfolio, which invests in equities and DGFs.

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 the Scheme's assets.

- The Trustees manage this risk by investing in well-respected investment managers where ESG principles are an established part of the investment decision making process and by regularly reviewing the ESG scoring of the investment consultant’s scoring of the Scheme’s managers.

6 MONITORING OF INVESTMENT ADVISER AND MANAGERS

6.1 INVESTMENT ADVISER

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

6.2 INVESTMENT MANAGERS

The Trustee receive monitoring reports on the performance of the underlying investment managers from Mercer on a quarterly basis, which presents performance information over 3 months, 1 year and 3 years. The reports show the absolute performance, performance against the manager's stated target performance (over the relevant time period) on a net of fees basis. It also provides returns of market indices so that these can also be used to help inform the assessment of the underlying managers' performance.

The reporting also reviews the performance of the Scheme's assets in aggregate against the Scheme's strategic benchmark.

6.3 PORTFOLIO TURNOVER COSTS

The Trustees do not currently monitor portfolio turnover costs for the funds in which the Scheme is invested, although notes that the performance monitoring which they receive 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.

The Trustees are also aware of the requirement to define and monitor targeted portfolio turnover and turnover range.

Given that the Scheme invests in a 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.

The Trustees are working with Mercer to determine the most appropriate way to obtain and monitor the information required in relation to the pooled funds in which the Scheme is invested and will include further information about this when next updating the SIP.

7 CODE OF BEST PRACTICE

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

The Trustees receive investment advice which ensures that the principles contained within this guidance are applied to the Scheme as far as it is relevant 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.

8 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 auditors and the Scheme Actuary.

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

APPENDIX 1: ASSET ALLOCATION BENCHMARK

The Scheme's asset allocation benchmark is set out below:

	Allocation
Growth Assets	**72.5**
UK Equity	23.3
Global Equities	9.3
Property	13.1
Diversified Growth	26.8
Stabilising Assets	**27.5**
Index-Linked Gilts	2.5
Corporate Bonds	20.0
Cash Funds	5.0

The policy for rebalancing and investment / disinvestment of cashflows is set out in Appendix 2 whilst further information on the funds used within the above asset allocation is given in Appendix 3.

APPENDIX 2: CASHFLOW AND RE-BALANCING POLICY

Cashflows up to a value of £1m will be applied to or from the investments held with Legal and General Investment Management (“LGIM”).

Any cashflows into or out of LGIM will be invested / disinvested so as to maintain the Scheme's asset allocation with LGIM as close as possible to its benchmark.

Should the investment or disinvestment of funds be insufficient to maintain the Scheme's assets with LGIM within the control ranges, LGIM will rebalance those assets which have moved outside their tolerance range back to their central benchmark at the end of each month.

Any cashflows over £1m will be given consideration on a case by case basis.

As described above, there is automatic rebalancing of the equity and bond assets that are managed by LGIM. However, there is no automatic rebalancing of the DGF allocation.

Further information on the individual fund allocations and guideline ranges are set out in Appendix 3.

APPENDIX 3: INVESTMENT MANAGER INFORMATION

The Scheme invests with the following investment managers:

- Psigma Investment Management ("Psigma")
- Legal and General Investment Management ("LGIM")
- Invesco Fund Managers Limited ("Invesco")
- Schroders ("BlackRock")
- Baillie Gifford ("Baillie Gifford")

Growth Assets

Investment Manager / Fund	Fund Benchmark and Objective	Benchmark Allocation %
UK Equities		
Psigma UK Equity Index Fund	To Achieve an annualised total return (net of fees) in excess of returns generated by Customised Benchmark*	23.3
Global Equities		
LGIM North America Equity Index Fund	To Track the FTSE AW-Developed North America Index	3.0
LGIM Europe (ex UK) Equity Index Fund	To track the FTSE AW Developed Europe (ex-UK) Index	3.2
LGIM Asia Pacific ex Japan Developed Equity index Fund	To Track the FTSE AW-Developed Asia Pacific (ex-Japan) Index	1.5
LGIM Japan Equity Index	To Track the FTSE AW Japan Index	1.6
Property		
LGIM Managed Property Fund	AREF/IPD UK Quarterly All Balanced Property Funds Index	13.1
Diversified Growth Funds		
Invesco Perpetual Global Targeted Returns Pension Fund	UK 3 Month LIBOR + 4.3% net of fees	13.4
Schroders Life Diversified Growth Fund	To achieve RPI + 5.0% p.a. net of fees	13.4

Customised Benchmark is the FTSE All-Share Index excluding FTSE Mining, FTSE Industrial Metals & Mining, FTSE Aerospace & Defence, FTSE Equity Investment instruments and FTSE Oil & Gas Producers over rolling three year periods.

Matching Assets

Investment Manager / Fund	Fund Benchmark and Objective	Benchmark Allocation %
Corporate Bonds		
Baillie Gifford Sterling Aggregate Plus Bond Fund	To outperform a benchmark of equal weighting between FTSE Actuaries UK Conventional Gilts All Stocks Index and ICE Bank of America Merrill Lynch Sterling Non-Gilt Index by 0.65% p.a. over 3 year rolling periods	18.0
Baillie Gifford Investment Grade Bond Fund	To outperform the ICE Bank of America Merill Lynch Sterling Non-Gilt Index by 0.5% p.a. over three year rolling periods.	2.0
Index-Linked Gilts		
LGIM All Stocks Index-Linked Gilts Fund	To track the performance of the FTSE Actuaries UK index-Lined Gilts All Stocks Index to within +/- 0.25% p.a. for two years out of three.	2.5
Liquidity		
LGIM Cash Fund	To perform in line with 7 Day GBP LIBID, without incurring excessive risk.	4.2
Psigma Cash Account	N/A	0.8