Nationwide
Pension Fund

Statement of Investment Principles ("SIP")

As at 31 March 2020

This Statement of Investment Principles relates to the Nationwide Section of the Nationwide Pension Fund. The other section of the Nationwide Pension Fund, the C&D Section, is addressed in a separate Statement of Investment Principles.

This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustee also complies with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy and will delegate the responsibility for selection of specific investments to appointed investment managers, which may include an insurance company or companies. The investment managers shall provide the skill and expertise necessary to manage the investments of the Fund competently.

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1. Investment Objectives

1.1. The Trustee aims to invest the assets of the Fund prudently to ensure that members receive the benefits they were promised. Over time this means the Trustee seeks to reduce investment risk whilst providing more certainty that the benefits will be met in full.

1.2. To reflect this aim the Trustee's long term aspiration is to achieve full funding based on a conservative measure of future pension obligations, known as the Low Dependency basis, within the period 2026-31.

1.3. The Trustee believes that this aspiration is best achieved by simultaneously implementing its investment strategy alongside a de-risking plan.

1.4. Details of the investment strategy are set out in Section 2.

1.5. The de-risking plan, commonly referred to as the flight plan, sets out how the Fund will transition to the Flight Plan Target. The aim of the target is to achieve a long-term investment portfolio that returns gilts + 0.50% per annum, known as the Destination Portfolio, within the period 2026-31.

1.6. Alongside the Flight Plan Target is the statutory requirement to agree a Recovery Plan with the Society targeted to achieve full funding on a Technical Provisions basis within as short a timescale as is reasonably possible.

1.7. In setting these investment objectives, the Trustee has consulted the Society and will consult the Society before revising this document. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

2. Strategy

2.1. The Trustee has previously set a long-term Flight Plan Target. The Trustee monitors the outcomes from the investment strategy, the projection of expected Low Dependency basis and the strength of the sponsor covenant to determine actions to deliver the Flight Plan Target.

2.2. The Trustee monitors the funding level of the Fund on both a Technical Provisions basis and a Low Dependency basis.

2.3. There is a strong (but not perfect) positive correlation between the Technical Provisions, Low Dependency and Buy-out funding levels and the Trustee recognises that over time the relationship between these three measurements of liabilities will change.

2.4. The plan is that the Fund will de-risk towards its Flight Plan Target, as calculated on a Low Dependency basis.

2.5. The eventual target of the de-risking process will be a Destination Portfolio, which largely matches the characteristics of the Fund's liabilities and allows a margin to cover risk factors such as benefit caps and collars and longevity risk.

2.6. The Trustee will consult with the Society on this document and upon any proposed de-risking. The protocol for monitoring and implementing de-risking is outlined in the Fund’s Statement of De-Risking Protocols.

2.7. The parties expected to be involved in the monitoring and implementation process are as follows:

- the Investment and Funding Committee (“IFC”) on behalf of the Trustee
- the Society’s Pension Risk Management team
- the Chief Investment Officer team (“CIO team”)
- the Investment Consultant to the Trustee
- the Actuarial Adviser to the Trustee
- the Transition Manager to the Trustee
- the Liability-Driven Investment (“LDI”) Manager

3. Strategic Asset Allocation

3.1. The Fund's investment strategy and strategic asset allocation are reviewed periodically to ensure that they are appropriate for the circumstances and objectives of the Fund.

3.2. The Trustee will monitor the actual asset allocation versus the target weight and operation allocation ranges outlined in the table below.

3.3. The operational ranges allow the Trustee to deviate tactically from the strategic asset allocation, within the specified limits preventing constant rebalancing.

3.4. A de-risking flight plan to strategically reduce the weighting of the return-seeking assets and correspondingly increase the weighting of matching assets based on the funding level of the Fund is in place. The details of this plan are covered in the Statement of De-Risking Protocols.

3.5. At the date of this SIP, the asset allocation strategy selected to meet the objectives is set out in the table below.

STRATEGIC ASSET ALLOCATION AS AT 31 MARCH 2020 *(on a net asset basis)*		
Asset Class	**Target Weighting %**	**Operational Range %**
Matching Assets	**50-60**	**45-60**
Government and Supranational Bonds[1]	40-50	30-50
Alternative Matching Assets (AMA)	5-10[2]	5-10
Long Lease Property	-	*0-5*
Ground Rents	-	*0-5*
Other AMAs	-	*0-3*
Return Seeking Assets	**45**	**40-50**
Equities[3]	12.5	10-15
Physical	*8.5*	*6.5-10*
Synthetic[4]	*4*	*3-5*
Credit	10	7.5–12.5
Alternative Credit	*2.5*	*2-4*
Illiquid portfolio[5]	22.5	17.5-27.5
Capital Appreciation		*10-15*
Income Yielding		*5-10*
Private Credit		*2-3*
Cash	1	0-2
LDI Leverage[6]		2.5x
Repo and TRS[7]		<£1.5bn

1 The allocation of government and supranational bonds is considered net of LDI leverage. It should be noted that volatility within government bond values caused by shifts in interest rate and inflation rate expectations can lead to the proportion of the overall portfolio allocated to government bonds beyond the operational range, despite no change in underlying investments.

2 As AMA assets grow then (all other things being equal) there will be a corresponding fall in the size of the inflation-linked bond portfolio.

3 The strategic benchmark allocation to equity is split 80% developed market (passive) equity and 20% emerging market (passive).

4 Synthetic equity instruments consist of equity futures and total return swaps (TRS) which track the same index as the physical developed equity portfolio. The asset allocation target is considered on a notional basis.

5 The illiquid portfolio performance is measured on a Capital at Risk basis, however, a wide range is permitted as net asset values are used to measure asset allocation.

6 Leverage within the LDI portfolio can include interest rate and inflation swaps in addition to repurchase agreements (repo) and TRS. The target weight of each will depend on relative pricing amongst other factors.

7 The limit on repo and TRS exposure is nominal, rather than as a percentage of the asset value. .

3.6. The IFC may mandate the CIO team and the Investment Consultant to adopt a dynamic asset allocation framework during periods of transition whereby the asset allocation may not be within specified limits.

3.7. There is a small allocation to cash for liquidity management purposes in order to meet expected outflows on a day-to-day basis. Repurchase agreements will provide additional cash management capability.

3.8. The target ranges can be temporarily exceeded to allow the Trustee to take occasional tactical asset allocation decisions. This allows flexibility in the implementation of ratified investment decisions in order to respond to short-term market volatility where target asset returns may not be met.

3.9. The planned asset allocation strategy is designed to achieve the Flight Plan Target. It is based on investment return assumptions and assumes that fund management can be expected to add value.

3.10. However, the Trustee recognises the potential volatility in returns, particularly relative to the Fund's liabilities, and the risk that the fund managers do not achieve the targets set.

3.11. When choosing the Fund's planned asset allocation strategy, the Trustee considered written advice from their investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.
- The covenant of the sponsor.
- The liquidity requirements of the pension liabilities that are payable.

3.12. Investments in derivative instruments may be made if they:

- contribute to management or reduction of risks, or
- facilitate efficient portfolio management (including the reduction of cost or the generation of additional capital or income with an acceptable level of risk), and
- are managed to avoid excessive risk exposure to a single counterparty and to other derivative operations.

Hedging Strategy

3.13. The Fund recently achieved its long-term aspiration to hedge its exposure to interest rate and inflation risk on a technical provisions basis. As the funded level of the Fund improves through anticipated asset performance, hedging will be transacted to maintain a 100% hedge ratio of liabilities on a technical provisions basis.

4. Risk Management

4.1. The Trustee recognises that the key risk to the Fund is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk").

4.2. The Trustee has identified several risks which have the potential to cause deterioration in the Fund's funding level and therefore contribute to funding risk. These are as follows:

Asset-liability or mismatching risk

The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors.

Controls & mitigants: The Trustee and its advisers considered this mismatching risk when setting the investment strategy. This risk is managed by diversifying the return seeking assets exposure and by increasing the matching asset exposure, in physical or derivative form. Longevity risk is currently tolerated rather than activity mitigated against, however the Trustees review longevity assumptions at each triennial valuation and ensure these are appropriate.

Credit risk

The risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet a contractual obligation.

Controls & mitigants: This is managed via regular monitoring by the CIO team and the manager selected to implement the strategy. Investment manager mandates always include individual exposure limits. For bespoke mandates the investment manager will operate within agreed counterparty limits in terms of exposure and credit-worthiness, particularly with regards to derivative contracts. Some assets will be in investment grade instruments that have low risks of default. Other assets will have higher returns to offset default risks or have security as collateral.

Currency risk

The risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates. It is measured by the exposure to assets denominated in foreign currency and the risk that adverse movements in these currencies may impact the Fund.

Controls & mitigants: Currency risk is partially managed through holding 70% of developed world equities in a sterling-based share class where the manager hedges back to sterling.. Credit exposures in non-sterling share classes are fully hedged to sterling via a currency overlay. Private market assets are strategically unhedged and the risk is accepted within the investment strategy.

Custodian risk	Custodian risk is assessed by reviewing the credit-worthiness of the custodian bank and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody. **Controls & mitigants:** This is managed by monitoring the custodian's activities and discussing the performance of the custodian with the investment managers on a regular basis.
Diversification risk	The failure to spread the investment risk effectively across a range of asset classes and geographies. **Controls & mitigants:** The Trustee and its advisers considered this risk when setting the Fund's investment strategy. A holistic approach is used when considering new investments and their fit into the portfolio of current assets. The investment strategy addresses the risk via risk budgeting tools.
Inflation risk	The risk that the value or future cash flows of a financial asset will fluctuate because of changes in rates of inflation, and specifically the risk that changes to the Fund's liabilities due to inflation will not be mirrored in its assets. **Controls & mitigants:** Assets are held as part of the matching assets strategy to mitigate mismatching risk because of their sensitivity to inflation. If inflation rises the value of the matching assets will rise, and help match the resulting increase in actuarial liabilities.
Interest rate risk	The risk that the discounted present value of future cash flows of a financial asset will fluctuate because of changes in market interest rates. Specifically, the risk that changes to the discounted present value of the Fund's liabilities due to changes in market interest rates (which are used by the Fund's Actuary in his setting of an appropriate discount rate) will not be mirrored in its assets. **Controls & mitigants:** Assets that generate this risk are held as part of the matching assets strategy to mitigate mismatching risk because of their sensitivity to interest rates. If interest rates fall the value of the matching assets will rise, matching the increase in actuarial liabilities.
Liquidity risk	The risk of insufficient liquid assets to meet the Fund's liabilities as they fall due. **Controls & mitigants:** Daily monitoring of the Fund's cash and cash flows and maintaining robust and timely disinvestment procedures to ensure that all liabilities (e.g. benefits, collateral, margin, expenses) and other cash calls can be paid as they fall due.

Manager risk

Failure by the fund managers to preserve the capital invested and achieve the rate of investment return assumed by the Trustee.

Controls & mitigants: This risk is considered by the Trustee and its advisers on the initial appointment of the fund managers and on an ongoing basis thereafter. This is managed by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process.

Other price risks

The risk that the current value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Controls & mitigants: The Trustee manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets it accesses.

Operational risk

The risk of fraud, poor advice or acts of negligence

Controls & mitigants: The Trustee has sought to minimise such risk by ensuring that all advisers and third- party service providers are suitably qualified and experienced and managed by ensuring that suitable liability and compensation clauses are included in all contracts for professional services received.

Resourcing risk

The risk of failing to meet the Fund's Investment Objective by applying insufficient resources to govern the required investment activity.

Controls & mitigants: This is managed by employing the CIO team, and outsourcing other responsibilities to competent third parties (e.g. Investment Consultant, Custodian) where necessary. The overall level of resourcing is kept under on-going review by the IFC.

Sponsor risk

The possibility that the Fund's sponsoring employer enters insolvency.

Controls & mitigants: The Trustee and its advisers consider this risk when setting investment strategy and consult with the sponsoring employer as to the suitability of the proposed strategy. This is managed by assessing the interaction between the Fund 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 several metrics reflecting the financial strength of the sponsor. The Trustee has also appointed an external covenant monitor to provide an independent view on the long-term strength of the sponsor. The Trustee has 6 monthly and ad-hoc updates from the Sponsor and a monthly dialogue through de-risking discussions.

Synthetic Investment risk	Investment in synthetic instruments has the potential to result in increased leverage within the portfolio. There is a risk that the process of posting cash margins against synthetic assets could lead to forced liquidation of assets in the portfolio, resulting in sub-optimal returns. There is also the risk the investment in synthetic instruments does not precisely represent the target portfolio.
	Controls & mitigants: The Trustee and its advisers considered these risks when setting the investment strategy. The Trustees set a maximum level of leverage and collateral positions to allow substantial headroom and these are monitored daily by the manager and reported to the CIO team weekly.
Environmental, Social & Governance (ESG) risk	The risk of the extent which ESG factors are not appropriately reflected in asset prices and/or not considered in the investment decision making processes, leading to underperformance relative to targets.
	Controls & mitigants: This is managed by engaging with asset managers regularly on their approach to integrating ESG factors in their investment decision making processes (for further detail, refer to the Responsible Investing policy).

4.3. Due to the complex and interrelated nature of these risks, the Trustee considers most of the risks on a qualitative basis as part of each formal investment strategy review (normally triennially).

4.4. However, the Trustee recognises that some risks may be modelled explicitly during such reviews. A quantitative assessment is taken into consideration when assessing a new asset class and its fit within the overall portfolio.

Risk Monitoring

4.5. In choosing the initial asset allocation to meet the investment objective, the Trustee recognises the associated level of risk compared to the liabilities and has considered the scheme specific funding requirements introduced by the Pensions Act 2004.

4.6. The Trustee monitors this by analysing the 3-year Deficit at Risk (DaR), as calculated on a Low Dependency basis, relative to the current asset allocation strategy at a 95% confidence level with a view to taking action that reduces the DaR as a percentage of assets over time. The Trustee will review the overall DaR level when de-risking activity has been implemented to consider the reduced risk within the portfolio.

4.7. The Trustee's policy is to monitor these risks quarterly. The Trustee receives reports showing:

- Actual funding level versus the Fund specific funding objective.
- Performance versus the Fund investment objective as measured by the Custodian.
- Monitoring of DaR to ensure a broad reduction as a percentage of assets.

- Performance of individual fund managers versus their respective targets as measured by the Custodian.
- Any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.
- The overall level and structure of the interest rate and inflation hedges.

5. Implementation

5.1. The Trustee has delegated the day-to-day oversight and monitoring of the Fund's assets to the Nationwide CIO team. The relationship is governed by an Investment Services Agreement (ISA) between the Trustee and Nationwide.

5.2. Most of the Fund's investments are managed externally via specialist managers through pooled funds and limited partnerships.

5.3. The Fund also has direct holdings, mainly in alternative investments such as real estate, where only the management functions are sub-contracted out to the external specialist manager.

5.4. The Fund's Investment Consultant provides an advisory service to the Trustee, which addresses the investment strategy and its implementation. The Trustee appoints an Investment Consultant following a selection process every three to five years.

5.5. The Investment Consultant is paid a pre-agreed fixed retainer fee for 'core' services with an incremental performance fee payable if specific service thresholds are met. Additional projects are paid on a time cost basis or a project basis. This structure was chosen to ensure that cost-effective, independent advice is received.

6. Additional Voluntary Contributions

6.1. Members are also able to pay additional voluntary contributions (AVCs) to enhance their benefits payable on retirement. AVCs are separate to the main Fund and are invested at the members' risk, as with defined contribution plans.

6.2. The Trustee's objective is to provide members with a range of funds for these AVCs to be invested in, which will offer a suitable long-term return, consistent with members' reasonable expectations.

6.3. In keeping with the policy for the main Fund assets, the Trustee's policy is to seek to achieve the objective through offering a suitable mix of real and monetary assets. The Fund offerings are reviewed on a biennial basis.

7. Responsible Investing

7.1. In setting the Fund's investment strategy, the Trustee’s primary concern is to act in the best financial interests of the Fund and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

7.2. The Trustee believes that to fulfil this commitment and to protect and enhance the value of the Fund’s investments, it must act as a responsible steward of the assets in which the Fund invests.

7.3. Further detail is provided in the Responsible Investing Policy which directly supports the SIP, including information on Economic, Social and Governance considerations.

8. Governance

8.1. The Trustee is responsible for the investment of the Fund's assets. The Trustee makes some decisions in this area and delegates others, based on whether the Trustee Board members have both the appropriate training and expert advice to make an informed decision.

8.2. The Trustee has established a decision-making structure which is summarised below. Detailed descriptions outlining the corresponding structures of the parties below can be found in the Terms of Reference for the IFC, the Investment Services Agreement for the CIO team and the Contract for Services agreed with the Investment Consultant.

Trustee responsibilities

- Make ongoing decisions relevant to the operational principles of the Scheme's investment strategy.
- Select planned asset allocation.
- Select investment consultants.
- Appoint and delegate responsibilities to the IFC.
- Consider recommendations from the IFC.

Investment & Funding Committee responsibilities

- Monitor investment advisers and fund managers.
- Draft the Fund's Statement of Investment Principles for the Trustee Board to approve.
- Make recommendations and report any areas of concern to the Trustee board from time to time in respect of the investment management arrangements of the Fund.
- Take such steps as are necessary to implement investment decisions that reflect the strategic investment objectives of the Fund.
- From time to time, initiate a rebalancing of the Fund's invested assets to align the Fund's asset allocation more closely with the Strategic Asset Allocation.
- Provide a process which reassures the Trustee that effective monitoring occurs and that the IC is properly accountable to the Trustee.
- Set and regularly review the Responsible Investing Policy of the Fund.

Chief Investment Officer Team responsibilities

- Monitor and report to the IFC and the Trustee Board on the performance of managers and liaise with the custodian, investment consultant and managers as required.
- Consider and appoint new managers in asset classes that form part of the agreed asset allocation and investment strategy of the Fund, in accordance with IFC decisions.
- Oversee on a day-to-day basis the Fund's managers, transition manager, custodian and investment consultant.
- Implement any IFC approved rebalancing of the investment portfolio to take account of the agreed asset allocation and investment strategy.
- Negotiate and execute the Fund's agreed liability-driven investment ("LDI") strategy.
- Review currency hedging position in the light of changing global markets and consider various global economic and market trends and their impact of the Fund's assets.

- Arrange consolidated reporting of investments to the IFC.
- Manage Fund cash balances and monitor leverage levels and collateral positions.
- Collaborate with the Society in production of monthly De-Risking dashboards.
- Record decision-making processes of the IFC regarding private market managers and other investment recommendations from the Investment Consultant.
- Implement the Fund's Responsible Investing Policy and monitor ongoing adherence to the policy.

Investment Consultant responsibilities

- Advise on all aspects of the investment of the Fund assets, including strategic and tactical allocation; implementation of the strategy; tactical rebalancing and providing support to the CIO team in its activities.
- Provide a comprehensive annual review and health check of the investment strategy and flight plan and make recommendations for changes to the strategy.
- Advise on asset allocation positioning versus the strategic investment allocation.
- Monitor the progress of the Fund against the SIP funding objective.
- Provide risk reporting and scenario analysis of the whole fund.
- Provide interest rate and inflation hedge analysis and recommendations on hedging strategies.
- Provide manager reporting return and risk analysis alongside any changes in the overall rating of the manager.
- Advise on the Statement of Investment Principles, Statement of De-Risking Protocols and the Responsible Investing Policy.
- Provide required training to the Trustee and the CIO team.
- Source fund managers and investment opportunities.
- Monitor impact of changes in investment allocation and strategy including the deficit at risk (DaR).

Fund Manager responsibilities

- Operate within the terms of this statement and their written contracts.
- Select individual investments with regard to their suitability and diversification.
- Advise the Trustee on suitability of the indices in the benchmark.

8.3. Under Section 36(3) of the Pensions Act 1995 (as amended), before investing in any manner, trustees must obtain and consider proper advice from their Investment Consultant on the question whether the investment is satisfactory having regard to the requirements of regulations under subsection (2), so far as relating to the suitability of investments, and to the principles contained in the statement under section 35. It is generally accepted that 'retained investments' includes "managed", "balanced" or "pooled" funds where trustees have selected a single fund and where the manager has no discretion to invest in other vehicles.

8.4. The Trustee's policy is to review the retained investments and to obtain written advice about them at regular intervals (normally annually). These include vehicles available for members' AVCs. When deciding whether to make any new direct investments, the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund managers.

8.5. The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

8.6. The Trustee's Investment Consultant has the knowledge and experience required under the Pensions Act 1995.

8.7. The Trustee expects the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

8.8. Fund managers are remunerated on a percentage of fund basis and additionally, in some cases, on a performance basis. The level of remuneration paid to fund managers is reviewed periodically by the Trustee against market rates to ensure the fund managers' interests are aligned with those of the Fund.

The Trustee will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Society over any changes to the SIP.

Appendix I: Glossary of Defined Terms

Actuarial Adviser is Keith Poulson of Aon Hewitt Limited or any subsequent third party appointed by the Trustee to provide actuarial services.

Buy-out is the Scheme Actuary's estimated cost of securing scheme benefits (for example buying-out with an insurer).

Chief Investment Officer ("CIO team") is the pension investment team based within the Society's Treasury Division.

Contract for Services is the document that specifies the activities to be undertaken by the Investment Consultant.

Custodian is Northern Trust Corporation or any subsequent third party appointed by the Trustee to provide safekeeping for all the Fund's assets and perform the associated administrative duties, such as the collection of interest and dividends and dealing with corporate actions.

Deficit at Risk (DaR) is a measure of the risk of the size of the deficit between the value of the Fund's asset allocation and its liabilities on a low dependency basis that the Fund may experience in any three years under normal market conditions.

Destination Portfolio is an asset portfolio agreed by the Trustees from time to time that returns gilts + 0.5% per annum and is commensurate with supporting the liabilities on a Low Dependency basis.

Flight Plan Target is set to achieve the Destination Portfolio with a 50% probability between 2026 and 2031, be fully funded on a low dependency basis and fully hedge the liabilities against inflation and interest rate risk. The Flight Plan Target will be reviewed from time to time.

Fund is the Nationwide Section of the Nationwide Pension Fund

Funding Ratio is the ratio of the value of the assets to the Low Dependency basis of calculating the liabilities.

Investment Consultant is Aon Hewitt Limited or any other third party appointed by the Trustee to provide investment advice about and monitoring of the Fund's investment strategy, asset allocation, portfolio construction, fund managers and other investment related activities requested by the Trustee.

Investment Objective is as outlined in the opening statement of this Statement of Investment Principles.

Investment Services Agreement is the document between the Trustee and the Society that specifies the activities to be undertaken by the CIO team.

Liability-Driven Investment Manager ("LDI Manager") is Insight Investment Management (Global) Limited or any subsequent third party appointed by the Trustee to provide investment management services that seek to hedge the Fund's liabilities and reduce risk.

Low Dependency is for the purposes of this Statement of Investment Principles defined as the value of the liabilities discounted using a UK Government yield curve, plus an additional margin at each spot rate of interest on the curve of 0.2%. There are other technical factors behind the calculations of the liabilities, for example the treatment of implied inflation and in these respects these calculations reflect those used for the Technical Provisions. The Low Dependency methodology will be reviewed from time to time.

Recovery Plan is the plan, to be agreed with the Society, that sets out the basis on which, with the support of the Society, the Fund becomes fully funded on a Technical Provisions basis.

Return Seeking Assets are all assets within the Equity, Hedge Fund, and Illiquid Portfolio asset allocations and those assets within the Bond allocation that are not fixed rate or inflation linked gilts.

Society is the Nationwide Building Society or any successor in title that still remains the sponsoring entity of the Fund.

Technical Provisions is for the purpose of this Statement of Investment Principles, defined as the value of liabilities discounted using a UK Government yield curve, plus an additional margin at each spot rate of interest on the curve. This additional margin will initially be 1.25% in respect of the pre-retirement discount rate and 1% in respect of the post-retirement discount rate, although this will need be adjusted as part of the regular review process as the proportion of the Fund's investments in return-seeking assets declines over time as the de-risking plan progresses. There are other technical factors behind the calculations of the liabilities on the technical provisions basis; for example, the treatment of implied inflation. The exact details of the technical provisions basis are set out in the Statement of Funding Principles, a document that is updated following each triennial valuation.

Terms of Reference relates to the respective documents that govern the activities, obligations, responsibilities and duties of the IFC; as reviewed and agreed periodically by the Trustee.

Transition Manager is Russell Implementation Services Limited or any other third party appointed by the Trustee to provide implementation and transition services related to the asset allocation and individual fund mangers.

Trustee is Nationwide Pension Fund Trustee Limited or any successor that takes on the capacity as trustee for the Nationwide Pension Fund (the “Fund”)

UK Stewardship Code is the set of principles released by the Financial Reporting Council directed at institutional investors who hold voting rights in UK companies to be active and engage in corporate governance in the interest of their beneficiaries.

Appendix II: List of Reference Documents

- Contract for Services between the Trustee and the Investment Consultant
- Investment Services Agreement between the Trustee and the Society
- Responsible Investing Policy
- Statement of De-Risking Protocols
- Statement of Funding Principles
- Terms of Reference of the Investment and Funding Committee

These documents are all included in the Fund's Register of Investment Documents.