

## Suncor Energy UK Pension Plan

### Statement of Investment Principles – September 2020

#### Introduction

The Trustees of the Suncor Energy UK Pension Plan have drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. The Statement is intended to affirm the investment principles that govern decisions about the Plan’s investments. In preparing this Statement the Trustees have consulted Suncor Energy UK Limited (the “Employer”) on the Trustees’ investment principles.

The Plan includes a DB (Defined Benefit) Section and a DC (Defined Contribution) Section.

#### Governance

The Trustees make all major strategic decisions including, but not limited to, the Plan’s asset allocation and the appointment and termination of investment managers. The process for making investment decisions is as follows:

- Identify appropriate investment objectives
- Agree the level of risk consistent with meeting the objectives
- Implement an investment strategy and investment manager structure in line with the level of risk and objectives agreed

When making such decisions, and when appropriate, the Trustees take proper advice. The Trustees’ investment consultants, Capita Employee Solutions (‘Capita’), are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience to provide such advice.

### Defined Benefit Section

#### Investment Objectives

The Trustees are required to invest the Plan’s assets in the best interest of the members, and their main objectives with regard to investment policy are:

- To achieve, over the long term, a return on the Plan’s assets which is consistent with the assumptions made by the Scheme Actuary in determining the funding of the Plan;
- To ensure that sufficient liquid assets are available to meet benefit payments as they fall due; and
- To consider the interests of the Employer in relation to the size and volatility of the Employer’s contribution requirements.

The Trustees understand, following discussions with the Employer, that they are willing to accept some degree of volatility in the Employer’s contribution requirements in order to reduce the Employer’s long-term

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cost of the Plan's benefits. The Trustees are comfortable that the covenant of the Employer is strong enough to support this approach.

## Parent Company Guarantee

The Trustees have obtained a guarantee from the Employer's ultimate parent, Suncor Energy Inc. in Canada, dated 3 December 2014, which includes, but is not limited to, the Employer's agreement to meet all present and future obligations and liabilities from the Employer to the Plan. The guarantee indemnifies the Trustees against any cost, loss or liability suffered by the Trustees if any payments guaranteed by the Plan become unenforceable, invalid or illegal.

## Investment Strategy

Given their investment objectives the Trustees have agreed to the asset allocation detailed in the table below. The Trustees believe that the investment risk arising from the investment strategy is consistent with the overall level of risk being targeted.

Asset Class	Strategic Asset Allocation (%)
UK Equities	15.0
Overseas Equities	30.0
<b>Return-Seeking Assets:</b>	<b>45.0</b>
Long Dated Corporate Bonds	23.0
Fixed Interest Gilts	10.0
Index-Linked Gilts	22.0
<b>Matching-type assets:</b>	<b>55.0</b>
<b>Total:</b>	<b>100.0</b>

The Trustees will monitor the Plan's actual asset allocation at least quarterly. Cash flows are invested/disinvested in order to bring the Plan's assets closer to the strategic asset allocation. Further details on investment funds and control ranges can be found in Appendix I.

## Expected Return

The Trustees expect the return on assets to be consistent with the investment objectives and investment strategy outlined above.

The Trustees expect to generate a return, over the long term, of circa 2.0% per annum, net of expenses, above a portfolio of long-dated UK Government bonds – which are considered to change in value in a similar way to the Plan's liability value. This return is a "best estimate" of future returns that has been arrived at given the Plan's longer term asset allocation and in the light of advice from the investment consultant.

The Trustees recognise that over the short term performance may deviate significantly from this long term expectation. This "best estimate" will also generally be higher than the estimate used for the actuarial valuation of the Plan's liabilities. For this purpose a more prudent estimate of returns will generally be used, as agreed by the Trustees on the basis of advice from the Scheme Actuary.

## **Additional Voluntary Contributions (“AVCs”)**

The Trustees have made available a facility whereby members could pay AVCs. This was closed to new members in April 2006. This facility allowed members to accrue benefits in addition to their DB benefits, see Appendix I for more information.

## **Risk Management and Measurement**

The Trustees are aware of and pay close attention to a range of risks inherent in investing the assets of the Plan. The Trustees believe that the investment strategy provides for adequate diversification both within and across different asset classes. The Trustees also believe that the current investment strategy is appropriate given the Plan’s liability profile. The Trustees’ policy on risk management is as follows:

- The primary investment risk faced by the Plan arises as a result of a mismatch between the Plan’s assets and its liabilities. This is therefore the Trustees’ principal focus in setting investment strategy, taking into account the nature and duration of the Plan’s liabilities.
- The Trustees recognise that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Plan’s liabilities as well as producing more short-term volatility in the Plan’s funding position. The Trustees have taken advice on the matter and (in light of the objectives noted previously) considered the implications of adopting different levels of risk.
- The Trustees recognise the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustees aim to ensure the asset allocation strategy in place results in an adequately diversified portfolio. Due to the size of the Plan’s assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles.
- The documents governing the managers’ appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Plan.
- The Trustees recognise that the use of active management involves a risk that the assets do not achieve the expected return, or that the return underperforms the relevant benchmark. However, they believe this risk may be outweighed by the potential gains from successful active management, in particular in regions or asset classes where this potential is greater than others. Therefore, the Plan’s assets are managed through a mixture of active and passive management which may be adjusted from time to time.
- The safe custody of the Plan’s assets is delegated to professional custodians via the use of pooled vehicles.

Should there be a material change in the Plan’s circumstances, the Trustees will review whether the current risk profile remains appropriate.

## Financially material considerations over the Plan's time horizon

The Trustees believe that their main duty, reflected in their investment objectives, is to protect the financial interests of the Plan's members. The Trustees believe that Environmental, Social and Governance ("ESG") considerations (including but not limited to climate change) and stewardship in the selection, retention and realisation of their investments is an integral part of this duty and can contribute to the generation of good investment returns. Legislation requires that the Trustees form a view of the length of time that they consider is needed for the funding of future benefits by the investments of the Plan. The Trustees recognise that this is a defined benefit scheme closed to new members but open to accrual. The Plan has 3 active members accruing benefits, 175 deferred members and 123 members in receipt of pension. The active and deferred members are typically in their 40s and 50s while the pensioner members are typically over 60. Accordingly the Trustees have formed the view that the appropriate time horizon of the Plan is over 15 years, which gives plenty of scope for ESG considerations to be financially material.

The Trustees have elected to invest predominantly in pooled funds and it is difficult to, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which they invest. However, the Trustees will consider these policies in all future selections and will seek to deepen their understanding of their existing manager's policies by reviewing these regularly. In cases where they are dissatisfied with a manager's approach they will take this into account when reviewing them. They are also keen that their manager is a signatory of the UN Principles of Responsible Investment, which is currently the case.

The Trustees believe that stewardship is important, through the exercising of rights (including voting rights) attaching to investments. The Trustees are keen that their manager can explain when, and by what practical methods, the manager monitors and engage with relevant persons about relevant matters in this area. They will be liaising with their manager to obtain details of the voting behaviour (including the most significant votes cast on the Trustees' behalf). The Trustees are also keen that their manager is a signatory of the UK Stewardship Code. This is currently the case.

The Trustees will monitor the voting being carried out by their Investment Manager and custodians on their behalf. They will do this by receiving reports from their investment manager which include details of any significant votes cast and proxy services that have been used.

The Trustees are aware that ESG and stewardship considerations involve an ongoing process of education for themselves and engagement with their investment manager. To that end they dedicate time regularly to the discussion of this topic and intend to review and renew their approach over time with the help of their investment consultant. Consequently, the Trustees expect the Plan's investment manager to have effective ESG policies (including the application of voting rights) in place, and look to discuss the investment manager's ESG policies with it when the manager attends Trustee meetings, which it currently does on an annual basis.

Non-financial matters, including members' views are not currently taken into account.

## **Platform Provider**

The Trustees have appointed Legal and General Investment Management Limited (“the Platform Provider”) to manage all of the assets of the Plan. The Platform Provider is regulated under the Financial Services and Markets Act 2000. All decisions about the day-to-day management of the assets have been delegated to the Platform Provider via a written agreement, including the realisation of investments.

## **Investment Mandates**

The Trustees have selected Legal and General Investment Limited (“LGIM”) as the appointed Investment Manager (“the Investment Manager”) to manage the assets of the Plan via a single policy with Platform Provider and Aviva Assurance Society (“Aviva”) as the appointed Investment Manager to manage the AVC assets. Both LGIM and Aviva are regulated under the Financial Services and Markets Act 2000.

The Trustees have rolling contracts with their Investment Manager.

The Trustees monitor the performance of their Investment Manager on a quarterly basis, both on an absolute basis as well as relative to relevant benchmarks and the Plan's liabilities. This monitoring is contained in a report provided by their Investment Manager.

The Trustees have set performance objectives, including time periods, consistent with the investment strategy set out in this statement.

## **Investment Manager Remuneration**

The Trustees monitor the remuneration, including incentives, that is paid to their Investment Manager and how they reward their key staff who manage client funds, along with how the pay and incentives motivate employees who manage client funds.

As part of the monitoring that the Trustees carry out on a regular basis, they should ensure that this policy is line with their investment strategy.

## **Investment Manager Philosophy and Engagement**

The Trustees monitor the Investment Manager's assessment of the businesses invested in, their performance over the medium to long term and considers whether this is a holistic look at all relevant aspects of performance (i.e. whether the manager looks beyond pure accountancy measures). The Trustees consider if the Investment Manager is incentivised to make decisions on a short-term basis or on a medium to long-term basis and whether this coincides with the business assessments. The Trustees are conscious of whether the Investment Manager is incentivised by the agreement to engage with the investee businesses, as well as the extent to which any engagement is focussed on improving medium to long-term performance.

## **Investment Manager Portfolio Costs**

The Trustees will monitor costs of buying, selling, lending and borrowing investments and they will look to monitor the costs breakdown annually, as long as the Investment Manager provides these costs using the Cost Transparency Initiative template. They will also ensure that, where appropriate, their Investment

Manager monitors the frequency of transactions and portfolio turnover. If there are any targets then they will monitor compliance with these targets.

## **Compliance with Myners' Principles**

In October 2008 the Government published the results of its consultation on revisions to the Myners' Principles in response to recommendations made by the National Association of Pension Funds (NAPF) in 2007. This takes the form of six higher-level principles, supported by best practice guidance and trustee tools that can be used to assess compliance:

- Principle 1: Effective decision making
- Principle 2: Clear objectives
- Principle 3: Risk and liabilities
- Principle 4: Performance measurement
- Principle 5: Responsible ownership
- Principle 6: Transparency and Reporting

The Trustees believe that they comply with the spirit of the Myners' Principles. There may be some instances of deviation from the published 'Best Practice Guidance' on the Principles where the Trustees believe this to be justified.

## Defined Contribution Section

### Investment Objectives

The Trustees recognise that their ultimate objective is to ensure that suitable vehicles, with appropriate investment options, are made available to the members of the Plan. The Trustees will communicate to the members of the Plan the investment options available in order for them to make their own choices on their personal investment strategy. The Trustees will monitor the investment vehicles in line with their responsibilities and make changes as necessary in a proportionate manner to the size and complexity of the Plan.

The Trustees will include ESG considerations and stewardship in the selection, retention and realisation of the investments for the membership. For further information, please refer to the “Financially material considerations” section above.

### Investment Strategy

The Trustees will offer a sufficient fund range to satisfy the risk and return combinations reasonable for most members. To this end, the Trustees have in place a range of investment options that they believe will allow members to strike appropriate balances between long term needs for capital growth and shorter term volatility of returns, especially in the period approaching retirement.

The details of the Defined Contribution investment arrangements are set out in Appendix II.

### Investment Mandates

The Trustees have appointed Equitable Life Assurance Society (“ELAS”) (the “Investment Manager”) to manage the Defined Contribution assets of the Plan. The Investment Manager is regulated under the Financial Services and Markets Act 2000. All decisions about the day-to-day management of the assets have been delegated to the Investment Manager via a written agreement, including the realisation of investments.

### Risk Management and Measurement

The Trustees are aware of and pay close attention to a range of risks inherent in investing the assets of the Plan. The Trustees believe that the investment options offered to members provide for adequate choice and diversification both within and across different asset classes.

Should there be a material change in the Plan’s circumstances, the Trustees will review whether the current risk profile remains appropriate.

## Both Sections

### Employer-Related Investments

The Trustees' policy is not to hold any direct employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

### Fee Structures

The Investment Managers are paid an ad valorem management fee linked to the assets under management. The Investment Consultant is paid on a project basis, which may be a fixed fee or based on time cost, as negotiated by the Trustees in the interests of obtaining best value for the Plan.

### Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension plan investments

.....  
Trustee

.....  
On behalf of the Company

.....  
Date

.....  
Date

**The Trustees of the Suncor Energy UK Pension Plan**



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## Appendix I – Defined Benefit Investment Arrangements

The Trustees have appointed LGIM to manage the assets of the Plan. The Investment Managers are regulated under the Financial Services and Markets Act 2000. The mandates are set out below:

Asset Class	Investment Manager	Fund Name	Active / Passive Management	Strategic Allocation %	Control Limits % + / -
<b>Return-seeking assets</b>				<b>45.0</b>	<b>5.0</b>
Equities	LGIM	UK Equity Passive Fund	Passive	15.0	
Overseas Equities	LGIM	World (ex UK) Equity Index	Passive	30.0	
<b>Matching-type assets</b>				<b>55.0</b>	<b>5.0</b>
Long Dated Corporate Bonds	LGIM	Active Corporate Bond – Over 10 Year - Fund	Active	23.0	
UK Index-Linked Gilts	LGIM	Over 5 Year Index-Linked Index Fund	Passive	22.0	
Fixed Interest Gilts	LGIM	Over 15y Gilts Index	Passive	10.0	

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## Additional Voluntary Contributions (AVCs)

The AVC facility in the Plan was closed to new contributors from April 2006. Members who were already making AVCs at this date were able to continue to do so.

At retirement a member's accumulated AVC fund is used to secure additional retirement benefits. This can take the form of additional pension, secured under an annuity contract with a provider of the member's choosing. Members have the option of taking some or all of their AVC fund as part of their tax free cash on retirement.

The AVC policy is held with Aviva and invested in the following funds:

<b>Fund</b>	<b>Annual Management Charge</b>
<i>Aviva UK Index Tracking Fund</i>	0.60%
<i>Global Equity Fund</i>	0.60%
<i>Mixed Investment (40-85% Shares) Fund</i>	0.60%

Members received Annual Benefit Statements from Aviva as at 31 December, confirming the amounts held in their accounts and the movements in the value of their accounts over the year.

There is no charge for switching between unit linked funds and member can switch between funds at any time.

Aviva has an Investment Instruction Form which the member and one Trustee will need to sign.

## Appendix II – DC Investment Arrangements

### Money Purchase Plan

Prior to 1 April 2003, members of the Plan had the option to contract out of SERPS/S2P via a Money Purchase section of the Plan. This meant that part of their National Insurance contributions were paid into this section of the Plan to be invested in a fund in their name. Members' accumulated funds (known as Protected Rights) would then be used to purchase additional pension for them on retirement, secured under an annuity contract with a provider of the member's choosing. Any member who wished to contract out after 1 April 2003 could do so via an Appropriate Personal Pension Plan of their choice, separate to the Plan.

Money Purchase/Defined Contribution (DC) contracting out was abolished on 6 April 2012.

The Government previously restricted the way that members could draw these benefits but these restrictions have been lifted so that this fund will be subject to normal rules governing DC pensions.

The Money Purchase policy is held with the Equitable Life Assurance Society (ELAS) and members invest in the following funds.

<b>Fund</b>	<b>Annual Management Charge</b>
<i>With-Profits Fund</i>	1.5%*
<i>Money Fund</i>	0.5%
<i>Clerical Medical Balanced Fund</i>	0.5%
<i>Clerical Medical UK Growth Fund</i>	0.5%

\*The annual charge on the With-Profits fund is currently 1.5%. This is made up of 1% to cover expenses and 0.5% to cover the cost of future guarantees.

The With-Profits Fund has a guaranteed annual growth rate of 3.5% p.a.

There is no charge for switching between unit linked funds. If benefits are switched from the With Profits fund to a unit linked fund, the transfer value would apply, which would include a 5% financial adjustment.

Any instruction to switch funds must be made in writing by the Plan Administrator. ELAS cannot accept instructions from individual members.