

London International Group UK Pension Scheme

Statement of Investment Principles – July 2025

1. Introduction

The Trustee of the London International Group UK Pension Scheme (“the Scheme”) has drawn up this Statement of Investment Principles (“the Statement”) to comply with the requirements of the Pensions Act 1995 (as amended by the Pensions Act 2004) and subsequent legislation. It also meets the requirements of the Occupational Pension Schemes (Investment) Regulations 2005.

The Statement is intended to affirm the investment principles that govern decisions about the Scheme’s investments.

In preparing this Statement the Trustee has consulted the Principal Employer as sponsor of the Scheme to ascertain whether there are any material issues of which the Trustee should be aware in agreeing the Scheme’s investment arrangements.

From 1 October 2020, regulations from The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 become applicable to the Scheme. Amongst other requirements, the regulations require the Trustee to disclose its policies around the arrangements with asset managers as well as the publication of the statement online.

2. Process for Choosing Investments

The process for choosing investments is as follows:

- Identify appropriate investment objectives
- Agree the level of risk consistent with meeting the objectives set
- Construct a portfolio of investments that is expected to maximise the return (net of all costs) given the targeted level of risk

In considering the appropriate investments for the Scheme the Trustee has obtained and considered the written advice of Mercer Limited, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee’s opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

3. Investment Objectives

The Trustee’s objective is to invest the Scheme’s assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries. Within this framework, the Trustee has agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed. The Trustee’s overall investment policy is guided by the following objectives:

- To match the interest rate and inflation sensitivity of the Scheme’s expected liabilities on the self-sufficiency basis.

4. Risk Management and Measurement

There are various risks to which any pension scheme is exposed. The Trustee has considered the following risks:

- A key risk upon which the Trustee focuses is that arising through a mismatch between the Scheme's assets and its liabilities. These are mainly the strategic investment risks. The key strategic investment risks inherent in the current investment strategy are as follows:
 - Interest rate risk (the risk that the assets do not move in line with the value placed on the Scheme liabilities in response to changes in interest rates)
 - Inflation risk (higher inflation leading to higher payments than expected)
 - Credit risk (the risk that capital and income from the corporate bond assets is not received)
- The risk of deterioration in the Scheme's funding level over the long-term.
- The risk that the Scheme sponsor is unable to support any shortfall between the assets and liabilities.
- The risk that the Scheme's assets are insufficient to undertake a risk transfer transaction.
- The risk that the Investment Manager, in the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustee. The Trustee minimises this risk through the use of passively managed funds which are designed to closely match market performance.
- The Trustee recognises 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 Scheme's liabilities as well as producing more short-term volatility in the Scheme's funding position. The Trustee takes advice on the matter and (in light of the objectives noted in Section 3) carefully considers the implications of adopting different levels of risk.
- The Trustee recognises 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 Trustee aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. Because of the size of the Scheme's assets and recognising the need to diversify, investment exposure to is obtained via pooled vehicles.

The documents governing the Investment Manager appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme. The Investment Manager is prevented from investing in asset classes outside of their mandate without the Trustee's prior consent.

Arrangements are in place to monitor the Scheme's investments to help the Trustee check that nothing has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, the Trustee receives regular reports from the Investment Manager and updates from the Investment Consultant. These reports and updates include an analysis of the overall level of return, along

with their component parts, to ensure the returns achieved are consistent with those expected.

The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled vehicles.

Should there be a material change in the Scheme's circumstances, the Trustee will review whether and to what extent the investment arrangements should be altered.

5. Investment Strategy

The Trustees will target an expected return that is similar to that of an insurer buy-in portfolio.

The investment objective the Trustee has in place targets a 95% interest rate and inflation hedge level in order to better match movements in the present value of the Scheme's liabilities on the self-sufficiency basis. The current target allocation is as follows:

Current Portfolio

Asset Class	Benchmark Allocation as at 31 July 2025 (%)
Investment Grade Corporate Bonds – Over 15 Year	19
Gilts/Index-Linked Gilts & Cash	81
Total	100.0

The Trustee does not have a formal rebalancing policy for the asset allocation, and the actual allocation is expected to deviate from the benchmark due to market movements.

6. Additional Assets

The Trustee made available a With-Profits policy with the Equitable Life Assurance Company for the members to make Additional Voluntary Contributions (AVCs). On 1 January 2020, the Equitable Life Assurance Company policies transferred to Utmost Life and Pensions. The Trustee also maintains a policy with Clerical Medical Investment Group which provides investment facilities for members who have made AVCs. Following the closure of the Scheme to future accrual with effect from 1 February 2001 members are not allowed to make any further AVCs investments. The Scheme holds annuity policies with Guardian, Standard Life, Swiss Life and Sun Alliance.

The Trustee maintains working cash balances in a bank account with HSBC administered by ISIO.

7. Realisation of Investments

In general, the Scheme's Investment Manager has discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments.

8. Responsible Investment and Corporate Governance

8.1. Main Scheme

The Trustee has considered the extent to which environmental, social and governance issues (ESG) and climate change risks may impact the Scheme's investments over the likely time horizon that they will be held by the Scheme.

Whilst the Trustee considers that ESG and climate change factors are likely to have financial impacts on pension investments, in the context of the Scheme's predominant allocation to gilts the Trustee does not consider that these would be material over the time horizon of the Scheme and has not taken any specific actions in relation to these issues.

In relation to the Scheme's 19% corporate bond allocation, this investment is held passively. As the mandate is to track an index the Trustee does not expect that its Investment Manager will be able to take any positive allocation decisions based on ESG or climate change factors. However, the Trustee has delegated the stewardship and engagement activities relating to those investments to its Investment Manager and expects the Investment Manager to engage with the underlying investee companies on ESG and climate change matters.

The Trustee does not take account of any non-financial factors.

Member views are not currently taken into account in non-financial matters or in the selection, retention and realisation of investments.

8.2. Additional Assets

The Trustee believes that ESG factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustee has given the appointed Investment Managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

Given the nature of the Additional Assets, the Trustee does not currently consider how ESG, climate change and stewardship is integrated within investment processes when monitoring existing Investment Managers in relation to the Scheme's Additional Assets. However, the Trustee keeps this under review and would consider the extent to which these factors might be relevant in the event of any appointment of new investment managers.

Member views are not currently taken into account in non-financial matters or in the selection, retention and realisation of investments.

The Trustee have not set any investment restrictions on the appointed Investment Managers in relation to particular products or activities, but may consider this in future.

9. Investment Manager Arrangements

Overview

The Trustee delegates the day to day management of the assets to the Investment Manager. The Trustee has taken steps to satisfy itself that the Investment Manager has the appropriate knowledge and experience for managing the Scheme's investments and that they are carrying out their work competently.

The Trustee has determined, based on expert advice, a benchmark mix of asset types and ranges within which the appointed Investment Manager may operate.

The Trustee regularly reviews the continuing suitability of the Scheme's investments, including the appointed Investment Manager.

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 the Trustee has appointed them for.

The Trustee invests in passively managed funds and the Trustee seeks guidance from the investment adviser in relation to their forward looking assessment of the Investment Manager's ability to achieve the stated mandate objectives.

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

As the Trustee invests in pooled investment vehicles it accepts that it has no ability to specify the risk profile of the Investment Manager, but that appropriate mandates can be selected to align with the overall investment strategy. For example, the Scheme invests in a range of Legal and General Investment Management's ("LGIM") gilt funds in order to achieve the target interest rate and inflation hedge ratios.

Investment Manager Remuneration

The Investment Manager is remunerated by way of a fee calculated as a percentage of assets under management. The principal incentive is for the Investment Manager to retain their appointment (in full), by achieving its objectives, in order to continue to receive the fee.

The Trustee reviews the Scheme's investment management fees no less frequently than triennially. This review considers the Scheme's investment management fees relative to appropriate peer group measures, where available.

Evaluating Investment Managers

The Investment Manager is aware that their continued appointment is based on their success in delivering the mandates for which they have been appointed to manage. If the Trustee is dissatisfied, then they will look to replace the Investment Manager.

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

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

Time horizon and Duration of Appointments

The Trustee receives performance reports from the Investment Manager on a quarterly basis, which present performance measured over various time periods, including on a short, medium and long term basis. The Trustee reviews the absolute performance and relative performance against a suitable index used as the benchmark on a net of fees basis. The Trustee's focus is on long-term performance but may put a manager 'on watch' if there are short-term performance concerns.

If the Investment Manager is not meeting its performance objectives, over a sustained period of time, and after consideration of all relevant factors, the Trustee may take the decision to terminate the Investment Manager.

The Trustee is a long-term investor, reflecting the demographics of the Scheme's liabilities and the Scheme's objectives. Accordingly, the Trustee does not seek to change the investment arrangements on a frequent basis.

The Scheme's Investment Manager is appointed to manage funds which are open-ended with no set end date for the arrangement. The Trustee will retain the Investment Manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class; or
- The Investment Manager appointment has been reviewed and the Trustee has decided to terminate the Investment Manager.

Portfolio turnover costs

The Trustee does not currently monitor portfolio turnover costs and has not set portfolio turnover targets; rather the Trustee assesses investment performance net of the impact of the costs of such activities. The Trustee will require the Investment Manager to include portfolio turnover and turnover costs in their presentations and reports.

10. Employer related investments

As set out in Section 40 of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005, Employer Related Investments ("ERI") must not compose more than 5% of the Scheme's assets. On 23 September 2010, an exemption from ERI restrictions, which previously existed for investments through collective investment schemes (such as the funds in which the Scheme invests), was removed. This means that any investment made in the sponsoring employer or its associates through collective investment schemes are now subject to the relevant

restrictions. The Trustee, in conjunction with its advisors, will disclose details of any ERI in the Scheme's Annual Report.

11. Compliance with this Statement

The Trustee monitors compliance with this Statement annually. In particular, it will obtain written confirmation from the Investment Manager that it has complied with this Statement so far as reasonably practicable and that in exercising any discretion, the Investment Manager has done so in accordance with Section 4 of The Occupational Pension Schemes (Investment) Regulations 2005. The Trustee undertakes to advise the Investment Manager promptly and in writing of any material change to this Statement.

12. Review of this Statement

The Trustee 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 Trustee reasonably believes 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 scheme investments.