Statement of Investment Principles - Lloyd's Pension Scheme

Introduction

This Statement of Investment Principles (SIP) has been prepared by the Trustees of the Lloyd's Pension Scheme ("the Scheme") to comply with the requirements of the Pensions Act 1995, as amended, and the Occupational Pension Schemes (Investment) Regulations 2005.

Effective Date

This SIP is effective from 31 August 2025.

1. Strategy

Investment Objectives

The Trustees' strategic objectives are:

- To maintain a portfolio of secure assets of appropriate liquidity which will generate income and capital growth to meet the cost of current and future benefits which the Scheme provides, as set out in the Trust Deed and Rules.
- To limit the risk of the assets failing to meet the liabilities over the long term, in particular in relation to any statutory funding requirements.
- To minimise the long-term costs of the Scheme by maximising the return subject to risk constraints.

The planned asset allocation strategy was determined with regard to the actuarial characteristics of the Scheme, in particular the strength of the funding position and the liability profile, and to ensure that it meets the criteria set out in the Occupational Pension Schemes (Investment) Regulations 2005. The Trustees' policy has regard to the assumption, based on historical experience, that equities will outperform gilts over the long term. However, the Trustees recognise the potential volatility in equity returns, particularly relative to the Scheme's liabilities.

Allocation of Assets

The Trustees have a long term aim to reduce the investment risks within the Scheme. The longer-term strategy involves investing in two broad types of assets:

- a range of bond assets where the cashflows can be expected to notionally match the cashflows for a proportion of the membership.
- a wide range of return seeking assets to generate appropriate returns to provide the remaining expected cashflows for the beneficiaries.

The proportions held in each asset class will vary in accordance with advice from the Investment Adviser, market conditions and any decisions taken in the light of those conditions.

Risks

In setting the Scheme's investment strategy, the Trustees' primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. The Scheme is exposed to a number of different investment risks. These include risks relating to:

- Funding – insufficient assets to cover 100% of the accrued liabilities. This risk is managed by careful structuring of the funding and investment arrangements.
- Mismatching – a difference in the sensitivity of asset and liability values to financial and demographic factors. Mismatching risk is considered when setting the investment strategy and managed through regular reviews of investment strategy.
- Cash flows – a shortfall of liquid assets to pay benefits. Cash flow risk is minimised by investment in liquid assets and bond assets whereby coupon and principal income generated is paid into the Scheme’s bank account to avoid, where possible, having to realise the invested assets to pay benefits.
- Investment managers – a failure to meet target returns. The Trustees closely monitor the performance of the managers and receive formal quarterly reports from the investment consultant giving views on the managers' continuing appropriateness.
- Diversification – inadequate spread of investments. This is managed by spreading the Scheme's investments over a range of asset classes and is considered as part of each investment strategy review.
- Covenant – the possibility of failure of the Scheme’s sponsor to pay the required contributions. The Trustees keep up a dialogue with the Company to assess this. The strength of the covenant is considered as part of each investment strategy review.
- Operational – fraud, poor advice or negligence. Operational risk is reduced as far as possible by due diligence on the appointment and review of managers and advisers, and by contracts of engagement.
- Currency – overseas currency movements negatively impacting returns. The Trustees regularly review the appropriate currency hedging level in accordance with advice from their Investment Adviser.
- Responsible Investment – The risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustees consider this risk by taking advice from their Investment Adviser when setting the Scheme’s asset allocation, when selecting managers and when monitoring their performance.

2. Implementation

Investment Managers

The Scheme investments are all direct investments in pooled funds. The Trustees will review the direct investments periodically. When reviewing these investments and when deciding whether or not to make any new direct investment, or to dispose of existing ones, the Trustees will obtain written advice. This written advice will consider the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The Trustees expect all day-to-day decisions about the assets underlying the pooled funds, including the realisation of assets, to be carried out by the fund manager of the pooled funds. In all cases, the fund manager should give effect to the principles in this statement as far as possible.

The current fund manager structure and investment objectives are as follows:

Legal & General Investment Management

The Scheme invests the majority of its assets via a policy of assurance with Legal & General Assurance (Pensions Management) Limited ("L&G"). The asset classes within the policy are selected by the Trustees and the underlying assets are managed by Legal & General Investment Management Limited ("LGIM") with the following investment objectives:

- For the equity mandate:
  - The objective is to perform in line with the relevant defined market index.
- For the bond investments:
  - Invest in a range of government bond and investment grade credit funds to match a proportion of the movements in the Scheme's liabilities as a result of changes in long term interest rates and inflation, whilst providing cashflow payments expected to notionally match the cashflows for a proportion of the membership.
- For the cash investment
  - To provide an income whilst offering daily access to liquidity and maintaining the value of the investment.

Active Equity portfolio

A proportion of the Scheme's assets are invested in an active equity portfolio which consists of two managers: Arrowstreet Capital Ireland Limited ("Arrowstreet") and Longview Partners (Guernsey) Limited ("Longview").

Each of the Scheme's active equity manager investments are held within unhedged share classes.

The objective for the Active Equity portfolio is to outperform the benchmark (MSCI All Country World Index-ND).

Credit

The Scheme invests with Allspring Global Investments to manage a portfolio of diversified income credit assets. The fund seeks to deliver total returns, maximising income while preserving capital, investing in a broad range of companies transitioning to a lower-carbon world with a portfolio target of net zero by 2050.

Alongside the LGIM credit this mandate matches a proportion of the movements in the Scheme's liabilities as a result of changes in long term interest rates, whilst providing cashflow payments expected to notionally match the cashflows for a proportion of the membership.

Active Diversifiers

The Scheme invests with Aon Investments Limited (“AIL”) in their Active Diversifiers Strategy. This fund aims to achieve long term total returns in excess on SONIA.

The fund also aims to limit downside risk by investing across a range of hedge fund strategies which aim to generate returns with little correlation to traditional asset classes. Invests solely in external managers “Buy” rated by Aon’s investment manager research team.

Asset Backed Securities

The Scheme invests with HSBC to manage a portfolio of investment grade securitised credit investments. The fund aims to provide long term capital growth and income by investing in a portfolio of investment grade securitised credit, while promoting ESG characteristics. The fund qualifies under Article 8 of SFDR, meaning that it promotes a combination of both environmental and social characteristics.

3. General

Responsible Investment

The Trustees recognise its responsibility as an institutional investor to invest responsibly, support and encourage good corporate governance practices in the companies in which it invests. The Trustees consider that good corporate governance can contribute to business prosperity by encouraging accountability between boards, shareholders and other stakeholders. Good corporate governance also plays a major role in encouraging corporate responsibility to shareholders, employees and wider society. Lack of good governance interferes with a company’s ability to function effectively and is a threat to the Scheme's financial interest in that company.

Stewardship – Voting and Engagement

The Trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Trustees recognise that ultimately this protects the financial interests of the Scheme and its beneficiaries.

As part of their delegated responsibilities, the Trustees expect the Scheme’s investment managers to**:**

- Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and
- Exercise the Trustees’ voting rights in relation to the Scheme’s assets (where applicable).

The Trustees regularly review the suitability of the Scheme’s investment managers and takes advice from the Investment Adviser regarding any changes. Where applicable, this advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustees expect, the Trustees undertake to engage with the manager and seek a more sustainable position but may look to replace the manager. The Trustees review the stewardship activities of their investment managers on an annual basis, covering both engagement and voting actions. In line with the required actions from the Pensions Regulator, on an annual basis the Trustees will produce an Engagement Policy Implementation Statement ("EPIS") which will also be included in the annual reports and accounts.

The Trustees will review the alignment of the Trustees' policies to those of the scheme’s investment managers and ensure the managers, or other third parties, use their influence as major institutional investors to carry out the Trustees' rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies to promote good corporate governance, accountability, and positive change. The Trustees will engage with the investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. The Trustees have delegated all voting and engagement activities to the Scheme’s investment managers. The Trustees accept responsibility for how the manager stewards assets on their behalf, including the casting of votes (where voting is deemed applicable) in line with each managers’ individual voting policies.

The Trustees accept that there may be circumstances where managers are unable to exercise their voting power due to the underlying nature of assets held.

Prospective investment managers are also expected to provide information on their voting and engagement policies in advance of any new appointment. Managers are expected to vote at company meetings and engage with companies on the Trustees' behalf in relation to ESG considerations and other relevant matters (such as the companies' performance, strategy, risks, capital structure, and management of conflicts of interest).

The Trustees may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest. Where such a concern is identified, the Trustees will engage with the Investment Adviser to consider the methods by which, and the circumstances under which, they would monitor and engage an investment manager and other stakeholders.

Climate Change

The process for identifying and assessing climate-related risks and opportunities is captured by:

- The Trustees' advisers demonstrating how they have considered short and long-term climate change risks and opportunities when providing new strategic investment advice, new mandates, new funding plans and new advice on the covenant;
- Investments that are Buy rated by Aon having at least an appropriate or advanced process to identify, evaluate and mitigate potential financially material ESG risks, including climate change, within the portfolio; and
- The Trustees' investment managers demonstrating how they have considered short and long-term climate change risks and opportunities when reporting on their portfolios.

This will enable the Trustees to understand what measures are being taken to reflect climate change opportunities and risk within the investments, funding and covenant.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy the Trustees do not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

Arrangements with Investment Managers

The Trustees monitor the Scheme's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustees' policies, including those on non-financial matters. This includes the extent to which investment managers:

- make decisions based on assessments about medium- to long-term financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustees are supported in this monitoring activity by their investment consultant.

The Trustees receive at least quarterly reports and verbal updates from the Investment Adviser on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme's objectives and assess the investment managers over the long-term.

The Trustees shares the policies, as set out in this SIP, with the Scheme's investment managers, and requests that the investment managers review and confirm whether their approach is in alignment with the Trustees' policies.

Before appointment of a new investment manager, the Trustees review the governing documentation associated with the investment and will consider the extent to which it aligns with the Board's policies. Where possible, the Trustees will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustees will express their expectations to the investment managers.

The Trustees believe that having appropriate governing documentation, setting clear expectations to the investment managers (where possible), and regular monitoring of investment managers' performance and investment strategy, is sufficient to incentivise the investment managers to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial performance.

Where investment managers are considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically first engage with the manager but could ultimately replace the investment manager where this is deemed necessary.

There is typically no set duration for arrangements with investment managers, although the continued appointment for all investment managers will be reviewed periodically, and at least every three years. Where the Scheme holds closed ended vehicles, the duration may be defined by the nature of the underlying investments.

Cost monitoring

The Trustees are aware of the importance of monitoring their investment managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustees recognise that in addition to annual management charges, there are a number of other costs incurred by the investment managers that can increase the overall cost incurred by their investments.

The Trustees collect annual cost transparency reports covering all of their investments and ask that the investment managers provide this data in line with the appropriate reporting templates for each asset class. This allows the Trustees to understand exactly what the Scheme is paying the investment managers. The Trustees work with their investment consultant and investment managers to understand these costs in more detail where required.

Evaluation of Investment Managers performance and remuneration

The Trustees assess the performance of their investment managers on a quarterly basis and the remuneration of their investment managers on at least an annual basis via collecting cost data.

Portfolio turnover costs

The Trustees are aware of the portfolio turnover costs (portfolio turnover costs are defined as the costs incurred as a result of the buying, selling, lending or borrowing of investments) associated to the Scheme's underlying investments through the information provided by their investment managers. The target portfolio turnover and turnover range is monitored annually with the assistance of the Scheme's investment consultant.

The Trustees accept that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics, manager's style and historic trends. Where the Trustees' monitoring identifies a lack of consistency the mandate will be reviewed.

The Trustees are supported in their cost transparency monitoring activity by their investment consultant.

Investment Adviser

Aon Solutions UK Limited ("Aon") has been appointed as Investment Adviser. It has the knowledge and experience required under the Pensions Act 1995.

Review of SIP

This SIP will be reviewed at least every three years or immediately following a change of investment policy. Written advice on any changes will be taken from the Investment Adviser, and the Sponsoring Company will also be consulted.

Agreed for and on behalf of Lloyd's Pension Scheme by the Trustees of the Lloyd's Pension Scheme

Name: Michael Green

Signature:

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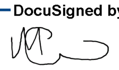

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Date: 09 November 2025