Royal Liver Assurance Limited Superannuation Fund (UK)

Statement of Investment Principles – March 2024

1. Introduction

The Trustee of the Royal Liver Assurance Limited Superannuation Fund (the "Fund") has drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995 (as amended) ("the Act"). It also meets the requirements of the Occupational Pension Schemes (Investment) Regulations 2005. The Statement also takes into account the principles underlying the Myners Code of Best Practice for pension plan investment.

The Statement is intended to affirm the investment principles that govern decisions about the Fund's investments. A separate document, the Investment Policy Implementation Document ("IPID"), detailing the specifics of the Fund's investment arrangements has also been completed.

It supersedes any previous SIP and reflects the investment policy agreed by the Trustee.

In preparing this Statement, the Trustee has consulted the Principal Company, Royal Liver Pension Trustee Services Limited ("the Company"). The Trustee has also obtained and considered written professional advice from its Investment Consultant, XPS Investment, who is suitably qualified through ability and experience and has appropriate knowledge.

The investment responsibilities of the Trustee are governed by the Fund's Trust Deed and Rules (a copy of which is available for inspection on request) and relevant overriding legislation. According to the law, the Trustee has ultimate power and responsibility for the Fund's investment arrangements.

2. Process For Choosing Investments

The process for choosing investments is as follows:

- Identify appropriate investment objectives
- Consider the broad 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 Trustee's risk tolerance

In considering the appropriate investments for the Fund, the Trustee has obtained and considered the written advice of the Investment Consultant, whom the Trustee considers to be suitably qualified to provide such advice. Where matters described in this Statement may affect the Fund's funding policy, input has also been sought from the Fund's Actuary. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of the Pensions Act 1995 (as amended).

3. Investment Objectives

The Trustee's objective is to invest the Fund's assets in the best financial interests of the members and beneficiaries, and the interests of the Company under the Fund and in the case of a potential conflict of interest in the sole interests of the members and beneficiaries. Within this framework the Trustee has agreed a number of key objectives to help guide it in its strategic management of the assets and control of the various risks to which the Fund is exposed.

The Trustee's primary objectives are as follows:

- To ensure the Fund has sufficient and appropriate assets to pay members' benefits as they fall due.

- To limit the risk of the Fund failing to meet the Statutory Funding Objective, i.e. having insufficient assets to meet the Fund's Technical Provisions liabilities.

The Trustee pays due regard to the Company's views with respect to the potential size and incidence of contribution payments, and the degree to which the Company accepts variation in the Fund's surplus or deficit as a consequence of the investment policy adopted.

4. Investment Risk Management and Measurement

There are various investment related risks to which any pension plan is exposed. The Trustee's policy on risk management with regard to the investment arrangements of the Fund's main assets is as follows:

- The primary risk upon which the Trustee focuses is that arising through a mismatch between the Fund's assets and liabilities. The Fund's assets should share similar characteristics with its liabilities, in terms of duration and nature to the extent possible.
- The Trustee recognises that whilst increasing risk is expected to increase the potential for greater returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Fund's liabilities as well as producing more short-term volatility in the Fund's funding position. A deterioration in the Fund's funding level could lead to higher than expected contributions from the Company. The Trustee has taken advice on the matter and has considered carefully and comprehensively 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 that the asset allocation and manager structure policies in place result in an adequately diversified portfolio.

- The vast majority of the Fund's assets have been used to purchase a buy-in policy with The Royal London Mutual Insurance Society which secures the benefits of all Fund members. The Fund's surplus assets - those not used to purchase the buy-in policy - are invested separately.

- Before entering into the buy-in policy, the Trustee considered the financial strength of the insurer to be able to make the payments due to the Fund. The policy is also protected in the event of default by the insurance company by the Financial Services Compensation Scheme ("FSCS").

- The Trustee recognises the risks of underperformance introduced by the use of active managers but believes that active management, through the careful selection of suitable managers, can add value.

- The safe custody of the Fund's surplus assets is delegated to a professional custodian via pooled vehicles. The custodian is responsible for the prompt reclaim of withholding taxes and other taxes on income due to the Fund.

- The Trustee relies on the Investment Managers to appoint appropriate Administrators or Registrars for pooled funds who are responsible for keeping records of the Fund's entitlement within the pooled funds.

Should there be a material change in the Fund's circumstances, the Trustee will review whether and to what extent the investment arrangements should be altered; in particular whether the current risk profile remains appropriate.

5. Portfolio Construction

The Trustee has adopted the following control framework in structuring the Fund's investments;

- The Trustee, together with the Fund's administrators, will ensure there is sufficient cash to meet the likely benefit outgo. The Trustee's policy is that there should be sufficient investments in liquid or easily realisable assets to meet unexpected cashflow requirements in the majority of foreseeable circumstances so that realisation of assets will not disrupt the Fund's overall investment policy where possible.

- The Trustee ensures that the majority of the assets are invested in regulated markets and that any allocation to unregulated markets is maintained at a prudent level.

- The Trustee invests the assets in a manner it believes to be appropriate to the nature and duration of the expected future retirement benefits payable under the Fund.

- The Trustee may use, or permit the Investment Managers to use, derivative instruments if they contribute to a reduction of risk or facilitate efficient portfolio management.

6. Investment Strategy

The Trustee's overall investment strategy now supports a range of different purposes. The Trustee considers its overall investment strategy to be split into 4 broad categories depending on the purpose for which the assets will be used:

Purpose	Explanation
Securing foreseen liabilities at the point of buy-in	All foreseen liabilities are secured by the buy-in policy. The buy-in policy provides a regular payment to the Fund in the form of an annuity covering the known, insured liabilities. The Trustee has no direct influence on the range of assets which support the payments due under the buy-in policy.
Meeting expenses and unforeseen liabilities over the period to wind-up	The Trustee is mindful that the Fund will continue to incur expenses over the period to wind up. The majority of expenses are expected to be predictable in nature and can be estimated with a high degree of certainty (e.g. advisory costs). There may also be a small element of unforeseen liabilities that can only be estimated at the present time with a lower degree of certainty. For example, the cost of GMP equalisation or the impact of any changes to insured benefits resulting from data cleansing post buy-in. These expenses will be expressed as a percentage of the liabilities at the point of buy-in, provided they do not exceed the amount set out in the material change clause of the policy, and therefore are not subject to subsequent changes in market conditions after this point. The Trustee seeks to invest the assets of the Fund expected to be used to cover all expenses and unforeseen liabilities in a very low risk manner with the aim of preserving the value of these assets until such a time that they must be paid out.
Meeting potentially variable future expenses over the period to wind-up	Some of the expenses faced by the Fund over the period to wind up may fluctuate as market conditions change. The main potentially variable future expense that the Fund may face is in the form of a residual risks insurance policy. The cost of purchasing residual risks insurance is expected to be expressed as a percentage of the Fund's total liabilities and is therefore likely to vary as market conditions change and impact the value of the liabilities. The Trustee seeks to invest a proportion of the Fund's assets in such a way to hedge potentially variable expenses in a pragmatic manner.
Returning the surplus assets to Royal Liver with-profits policyholders upon wind-up	Upon wind-up of the Fund, any remaining assets will be returned to Royal Liver with-profits policyholders. The Trustee seeks to invest the assets that it expects to be returned to Royal Liver with-profits policyholders in the lowest risk manner possible with the aim of preserving the value of these assets until such a time that the Fund is

	wound up whilst generating interest in line with the prevailing market rate.

To best meet the objectives set out above, the Trustee has therefore set the following investment strategy for the surplus assets:

Asset Class	Fund	Benchmark	Allocation (%)
Cash	Short Term Money Market Fund	Sterling Interbank Overnight Average (SONIA)	85.0
Government bonds	UK Government Bond Fund	FTSE UK Gilts Government Bond All Stocks Total Return GBP Index	15.0
Total	**-**	**-**	**100.0**

The allocations to the respective asset classes were set by the Trustee at the inception of the new investment strategy following buy-in. The Trustee will not seek to rebalance the investment strategy over time.

7. Range of assets

The Trustee considers that the combination of the investment policy and the specific manager mandates will ensure that the assets of the Fund include suitable investments that are appropriately diversified and provide a reasonable expectation of meeting the objectives. In setting out the mandates for the Investment Managers, the Trustee will ensure that the Fund holds a suitably diversified range of securities in each category, avoiding an undue concentration of assets.

Based on the structure set out in section 6, the Trustee considers the investments to be aligned with the Fund's overall strategic objectives. Details of each specific mandate are set out in the pooled fund documentation with each Investment Manager. The amounts allocated to any individual category or security will be influenced by the pooled fund's benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope for active management permitted by the pooled fund documentation.

Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Fund's investment strategy – and hence the fees they receive – are dependent upon them doing so. If the Trustee becomes aware of action taken by an Investment Manager that does not conform to its expectations, it will consider appointing a replacement Investment Manager.

The Trustee encourages Investment Managers to make decisions in the long-term interests of the Fund. The Trustee expects engagement with management of the underlying issuers of debt or equity and the exercising of voting rights. This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns. As covered in more detail in Section 13, the Trustee also requires the Investment Managers to take ESG factors and climate change risks (where relevant) into consideration within their decision-making as the Trustee believes these factors could have a material financial impact in the long-term.

8. Day–to-Day Management of the Assets

Day to day management of the assets is delegated to professional Investment Managers, who are all regulated by the relevant authority in the domicile country. The Investment Managers have full discretion to buy and sell investments on behalf of the Fund subject to agreed constraints and applicable legislation. The Trustee has taken steps to satisfy itself that the managers have the appropriate knowledge and experience for managing the Fund's investments.

Further details of the Fund's investment strategy and the appointed managers and funds invested in can be found in the IPID.

9. Review process

Appointments of Investment Managers are expected to be long-term, but the Trustee will review the appointment of the Investment Managers in accordance with their responsibilities. Such reviews will include analysis of each Investment Manager's performance and processes and an assessment of the diversification of the assets held by the Investment Manager. The review will include consideration of the continued appropriateness of the mandate given to the Investment Manager within the framework of the Trustee's investment policies.

In addition, any significant changes relating to the criteria below that the Investment Consultant is aware of will be highlighted, which may lead to a change in the Investment Consultant's rating for a particular mandate. These ratings help to determine an Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustee may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend Trustee meetings as requested.

The Investment Consultant has also carried out a review of how well Environmental, Social and Governance ("ESG") factors are incorporated into the Investment Manager's processes and the Trustee will re-assess progress on ESG issues periodically.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustee's policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

10. Portfolio turnover

The Trustee requires the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.

11. Additional Assets

The Trustee has established an Additional Voluntary Contributions ("AVCs") arrangement, in which members' AVCs are invested to enhance their benefits at retirement.

The Trustee reviews the investment performance of the chosen AVC provider on a regular basis and takes advice as to the providers' continued suitability. Details of the current provider can be found in the IPID.

12. Realisation of Investments

The investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant pooled fund documentation.

13. Responsible Investment

The Trustee has considered its approach to ESG factors for the long-term time horizon of the Fund and believes there can be financially material risks relating to them. The Trustee has delegated the ongoing monitoring and management of ESG risks including those related to climate change to the Fund's investment managers. The Trustee requires the Fund's investment managers to take ESG and climate change risks into consideration within their decision-making in relation to the selection, retention or realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

Similarly the Trustee has delegated responsibility for the exercise of rights (including voting rights) attached to the Fund's investments to the Investment Managers. The Trustee encourages them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustee requires the Investment Managers to report on significant votes made on behalf of the Trustee.

The Trustee will seek advice from the Investment Consultant on the extent to which its views on ESG including climate change risks may be taken into account in any future investment manager selection exercises. Furthermore, the Trustee, with the assistance of the Investment Consultant, will monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustee's requirements as set out in this Statement. This will include considering whether the manager is a signatory to the UK Stewardship Code. The Trustees recognise the Code as an indication of a manager's compliance with best practice stewardship standards. In order to ensure sufficient oversight of the engagement and voting practices of their managers, the Trustees may periodically meet with their investment managers to discuss engagement which has taken place.

If the Trustee becomes aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees' expectation and the investment mandate guidelines provided, then the Trustee may consider terminating the relationship with that Investment Manager.

When considering the selection, retention or realisation of investments, the Trustee has a fiduciary responsibility to act in the best interests of the beneficiaries of the Fund, although they have neither sought, nor taken into account, the beneficiaries' views on matters including (but not limited to) ethical issues and social and environmental impact. The Trustee will review this policy on a regular basis.

14. Compliance with and 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 be made in consultation with the Company and only after having obtained and considered written advice of someone whom 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 fund investments.

Adopted by the Trustee of the Royal Liver Assurance Ltd Superannuation Fund in March 2024