

International Personal Finance plc Pension Scheme ("the Scheme")

Statement of Investment Principles ("SIP") – January 2024

1. Introduction

This SIP is produced to meet the requirements of Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019). The Trustee, in preparing this SIP, has also consulted Sponsoring Employer.

The overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustee acting on advice from its investment consultants Aon Investments Limited ("AIL") and is driven by their investment objectives as set out below. The remaining elements of the policy are part of the day-to-day management of the assets which is delegated to AIL in its capacity as a professional fiduciary investment provider. The appointment of AIL was made in line with the requirements set out in the Investment Consultancy and Fiduciary Management Market Investigation Order 2019.

2. Decision Making Structure

2.1 Setting Investment Objectives

The Trustee is responsible for identifying appropriate investment objectives, under guidance from its advisers.

2.2 Delegation

The Trustee has delegated certain decision-making powers to AIL in respect of implementing the investment strategy. These powers are explained later in this document.

3. Investment Objectives, Risk and Investment Strategy

3.1 Investment Objectives

The Trustee aims to invest the assets of the Scheme prudently with the intention that the benefits promised to members are provided.

3.2 Risk

The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provision for 100% of its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause deterioration in the Scheme's funding level and therefore contribute to funding risk. These include:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors (“mismatching risk”). The Trustee and its advisers considered this mismatching risk when setting the investment strategy and have specifically structured the Scheme’s assets to minimise this risk as far as is practical.
- The risk of a shortfall of liquid assets relative to the Scheme’s immediate liabilities (“cash flow risk”). The Trustee and its advisers will manage the Scheme’s cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by AIL to achieve the rate of investment return assumed by the Trustee (“manager risk”). This risk is considered by the Trustee and AIL both upon the initial appointment and on an ongoing basis thereafter.
- The failure to spread investment risk (“risk of lack of diversification”). The Trustee, its advisers and AIL considered this risk when setting the Scheme’s investment strategy.
- The possibility of failure of the Scheme’s Sponsoring Employer (“covenant risk”). The Trustee and its advisers considered this risk when setting investment strategy and consulted with the Sponsoring Employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence (“operational risk”). The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustee considers many of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially).

Having set an investment objective which relates directly to the Scheme’s liabilities, the Trustee’s policy is to monitor, where possible, these risks quarterly. The Trustee receives quarterly reports showing:

- Performance versus the expected change in value of the Scheme’s liabilities.
- Any significant issues that may impact AIL’s ability to meet the performance target set by the Trustee.

3.3 Investment Strategy

The investment objective is to outperform the Liability Benchmark by 0.7% per annum (net of fees) over rolling three-year periods and to hedge 100% of the interest rate and inflation risk. The Liability Benchmark is an investable proxy for the Scheme’s liabilities.

This investment objective was decided following a formal review of the investment strategy and advice from the Trustee’s investment advisers. AIL make the day-to-day decisions to target the investment objective.

Under the terms of the Trust Deed the Trustee is responsible for the investment of Additional Voluntary Contributions ("AVCs") paid by members. AVCs are invested in insurance policies with Aviva and the Trustee reviews the investment performance of the providers periodically.

4 Management of the Assets

4.1 Asset Guidelines

AIL will manage the assets with regard to the:

- need for diversification of investments, so far as appropriate to the circumstances of the Scheme; and to the
- suitability to the Scheme of both the asset classes proposed and also the particular assets proposed within those classes.

The underlying exposure to assets will be properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer and manager to avoid accumulation of risk in the portfolio as a whole. AIL may use pooled vehicles to help with diversification.

Investments in derivative instruments are permitted if they:

- contribute to a 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 any such investments must be made and managed so as to avoid excessive risk exposure to a single counterparty and to other derivative operations.

4.2 Inflation and Interest Rate Hedging

The target strategic hedge ratio for inflation and interest rates is a proportion of the liability benchmark, equivalent to 100% of the asset value.

4.3 Rebalancing Policy

AIL will regularly review the asset allocation and will rebalance the portfolio if the allocation is no longer consistent with the investment objective.

4.4 Manager Monitoring

Whilst the Trustee is not involved in AIL's day to day method of operation and so cannot directly influence attainment of the performance target, it will assess performance and review the appointment. The appointment of AIL will be reviewed by the Trustee based on the results of its monitoring of performance and investment process and of the manager's compliance with the requirements of the Pensions Act (as amended). AIL has been provided with a copy of this SIP and the Trustee will monitor the extent to which they give effect to the

investment principles set out in it. The Trustee will provide AIL with any material amendment to or replacement of this SIP.

4.5 Fee Structures

AIL is paid on an ad valorem basis. This structure has been chosen to align the interests of AIL with those of the Scheme.

4.6 Custodian

AIL has appointed custodians for the safe custody of the assets held within its respective pooled funds in which the Scheme is invested. The custodian is responsible for the safekeeping for all the Scheme's assets and performs the administrative duties including the collection of interest and dividends and dealing with corporate actions.

4.7 Choosing Investments

The Trustee has appointed AIL who are authorised and regulated by the Financial Conduct Authority ("FCA") to undertake investment business. The Trustee believes that AIL meets the requirements of Section 35(5) of the Pensions Act (as amended). After taking appropriate investment advice, the Trustee has specified the investment objective for AIL. Investment choice has been delegated to AIL.

In this context, investment advice is defined by Section 34 of the Act.

4.8 Environmental, Social, and Governance ("ESG") considerations

The Trustee recognises that ESG factors and climate change could have a financial impact on the Scheme's investments over the time horizon of the Scheme if not understood and evaluated properly. The Trustee considers these risks by taking advice from its investment adviser when setting the Scheme's assets allocation, when selecting managers and when monitoring their performance.

The Trustee has appointed Aon Investments Limited ("AIL") to manage the Scheme's assets. AIL invests in a range of underlying investment vehicles.

As part of AIL's management of the Scheme's assets, AIL have informed the Trustee that it will:

- Where relevant, assess the integration of ESG factors in the investment process of underlying managers;
- Use its influence to engage with underlying managers to ensure the Scheme's assets are not exposed to undue risk; and
- Report to the Trustee on its ESG activities as required.

4.9 Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy the Trustee does not 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"^[1]).

Where the Scheme's assets are invested in pooled funds, the Trustee has delegated responsibility for the selection, retention and realisation of investments to the underlying investment managers. The Trustee's policy is that the extent to which social, environmental or ethical considerations are considered in the selection, retention and realisation of investments is left to the discretion of the investment managers.

4.10 Arrangements with the Asset Managers

The Trustee has appointed AIL as its fiduciary manager, who it considers to be its asset manager. References in this policy to 'underlying asset managers' refers to those asset managers which AIL in turn appoints to manage investment on behalf of the Trustee.

The Trustee recognises that the arrangements with its fiduciary manager, and correspondingly the underlying asset managers, are important to ensure that interests are aligned. The Trustee seeks to ensure that the fiduciary manager is incentivised to operate in a manner that generates the best long-term results for the Scheme and its beneficiaries.

The Trustee receives regular reports and verbal updates from the fiduciary manager on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme's objectives and assess the fiduciary manager over 3-year periods.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by their fiduciary manager, which supports the Trustee in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Trustee shares the policies, as set out in this SIP, with the Scheme's fiduciary manager and requests that they review and confirm whether their approach is in alignment with the Trustee's policies.

The Trustee delegates the ongoing monitoring of underlying asset managers to the fiduciary manager. The fiduciary manager monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the underlying asset managers are aligned with the investment objectives of the Scheme.

This includes monitoring the extent to which the underlying asset managers:

^[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

- make decisions based on assessments about medium- to long-term financial and non-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.

Before appointment of a new fiduciary manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where necessary, the Trustee will seek to amend that documentation or express its expectations (such as through side letters, in writing, or verbally at Trustee meetings) so that there is more alignment.

The Trustee has an Investment Manager Agreement in place that sets clear expectations to the fiduciary manager. The Trustee believes that this and regular monitoring of the fiduciary manager's performance and investment strategy is sufficient to incentivise the fiduciary manager to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where the fiduciary manager is considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will engage with the fiduciary manager to understand the circumstances and materiality of the decisions made.

There are no set durations for arrangements with the underlying asset managers that the fiduciary manager invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place. The Trustee will review the appointment of AIL for investment consulting and fiduciary manager services on an annual basis.

4.11 Cost Monitoring

4.11.1 Cost Monitoring

The Trustee is aware of the importance of monitoring its asset managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are other costs incurred by asset managers that can increase the overall cost incurred by its investments.

The Trustee receives annual cost transparency reports from its fiduciary manager. These reports present information in line with prevailing regulatory requirements for fiduciary managers. They clearly set out on an itemised basis:

- the total amount of investment costs incurred by the Scheme;
- the fees paid to the fiduciary manager;
- the fees paid to the investment managers appointed by the fiduciary manager;
- the amount of portfolio turnover costs (transaction costs) incurred by the investment managers appointed by the fiduciary manager;
 - the Trustee defines portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the investment managers appointed by the fiduciary manager;

- any charges incurred through the use of pooled funds (custody, administration, and audit fees)
- the impact of costs on the investment return achieved by the Scheme.

The Trustee acknowledges that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager. The fiduciary manager monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the investment managers appointed on behalf of the Trustee.

The Trustee benefits from the economies of scale provided by the fiduciary manager in two key cost areas:

- the ability of the fiduciary manager to negotiate reduced annual management charges with the appointed investment managers;
- the ability of the fiduciary manager to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the investment managers and achieve efficiencies where possible.

4.11.2 Evaluation of performance and remuneration

The Trustee assesses the (net of all costs) performance of its fiduciary manager on a rolling three-year basis against the Scheme's specific liability benchmark and investment objective. The remuneration paid to the fiduciary manager and fees incurred by third parties appointed by the fiduciary manager are provided annually by the fiduciary manager to the Trustee. This cost information is set out alongside the performance of the fiduciary manager to provide context. The Trustee monitors these costs and performance trends over time.

4.12 Stewardship Policy – Voting and Engagement

The Trustee recognises the importance of its role as a steward of capital and the need to promote high standards of governance and corporate responsibility in the underlying companies and assets in which the Scheme invests, as ultimately this creates long-term financial value for the Scheme and its beneficiaries.

The Trustee has delegated all voting and engagement activities to the Scheme's investment managers, via AIL. The Trustee accepts responsibility for how the manager stewards assets on its behalf, including the casting of votes in line with each managers' individual voting policies. The Trustee reviews manager voting and engagement policies on an annual basis from AIL to ensure they are in line with the Trustee's expectations and in the members' best interests.

As part of the fiduciary manager's management of the Scheme's assets, the Trustee expects the manager to:

- ensure that (where appropriate) underlying asset managers exercise the Trustee's voting rights in relation to the Scheme's assets; and
- report to the Trustee on stewardship activity by underlying asset managers as required.

Managers are expected to vote at company meetings and engage with companies on the Trustee's 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).

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Scheme. Where a significant concern is identified, the Trustee will consider, on a case-by-case basis, a range of methods by which it would monitor and engage to bring about the best long-term outcomes for the Scheme.

5. Governance

5.1 Division of Responsibilities

The Trustee is responsible for the investment of the Scheme's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has considered whether it has the appropriate training and expert advice to take an informed decision. The Trustee has established the following decision-making structure:

<p>Trustee</p> <ul style="list-style-type: none"> ▪ Set structures and processes for carrying out its role ▪ Select and review direct investments (see below) ▪ Consult with the sponsoring employer ▪ Approve this document ▪ Monitor returns versus the Scheme's investment objective ▪ Monitor investment advisers (Aon Investments Limited) and fiduciary provider (Aon Investments Limited) ▪ Make ongoing decisions relevant to the operational principles of the Scheme's investment strategy (where these decisions have not been delegated) ▪ Monitor direct investments 	<p>Fiduciary Provider (Aon Investments Limited)</p> <ul style="list-style-type: none"> ▪ Set the strategy for investing in different asset classes in line with the investment objective ▪ Determine strategy for selecting fund managers ▪ Implement the investment strategy ▪ Select, appoint and monitor investment managers ▪ Adjust asset allocations to reflect medium term market expectations ▪ Report on asset performance against the liability benchmark ▪ Report on asset returns against objectives ▪ Communicate any significant changes to the investment arrangements
<p>Investment Adviser (Aon Investments Limited)</p> <ul style="list-style-type: none"> ▪ Advise on all aspects of the investment of the Scheme's assets ▪ Advise on this SIP ▪ Provide required training ▪ Advise on the Liability Benchmark used by the Fiduciary Provider ▪ Carry out further project work when required 	

5.2 Direct Investments

The Pensions Act (as amended) distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. 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.

The written advice will consider the issues set out in the Occupational Pension Funds (Investment) Regulations 2005 and the principles contained in this SIP. The regulations require all investments to be considered by the Trustee (or, if more appropriate, the Manager) 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

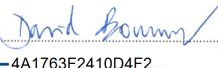
5.3 Review of this SIP

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

For and on behalf of the Trustee Directors of the International Personal Finance plc Pension Scheme

Name: David Bowman, Chair of Trustees

Signed:

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Date: January 2024