

Statement of Investment Principles

SCHNEIDER TRUSTEES LIMITED in its capacity as TRUSTEE OF THE APC PENSION SCHEME

March 2026

1. Introduction

Under Section 35 of the Pensions Act 1995, as subsequently amended by the Pensions Act 2004 (the '**Act**'), the Occupational Pension Schemes (Investment) Regulations 2005 (the '**Investment Regulations**'), the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, trustees are required to prepare a statement of principles governing decisions about investments for their pension funds. This Statement of Investment Principles (the '**SIP**') describes the investment policy, guidelines and procedures being pursued by Schneider Trustees Limited in its capacity as the Trustee (the '**Trustee**') of the APC Pension Scheme (the '**Scheme**'). The Trustee believes this is in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK (the 'Myners Principles'). This SIP has also been drafted in a manner to reflect the requirements of the Investment Regulations.

In accordance with the Act, the Trustee confirms that, before preparing the SIP, they have obtained and considered written advice from SEI Investments (Europe) Limited ('**SEI**') in their role as fiduciary manager of the Scheme (the '**Fiduciary Manager**'). The Trustee believes SEI to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge and experience of the management of the investments of schemes such as the Scheme.

The Trustee has also consulted with Schneider Electric IT UK Limited, the Principal Employer of the Scheme (the '**Employer**'), in preparing the SIP, and the Trustee will consult the employer before revising this document further.

The Trustee will review the SIP, in consultation with the Fiduciary Manager, at least every three years, and without delay after any significant change in investment policy or the circumstances of the Scheme.

The Trustee is responsible for the investment of the Scheme's assets in the best interests of members and beneficiaries, and it exercises its powers of investment in accordance with the trust deed and rules of the Scheme and applicable law. The Trustee also arranges the administration of the Scheme. Where required to make an investment decision, the Trustee first receives and considers advice from the Fiduciary Manager. The Trustee believes that this ensures they are appropriately familiar with the issues concerned.

In accordance with the Financial Services and Markets Act 2000 (FSMA), the Trustee is responsible for setting a general investment policy, but day-to-day investment decisions and investment management of the Scheme's assets have been delegated to the Fiduciary Manager, who has been appointed under Section 36 of the Act. In turn, the Fiduciary Manager has delegated certain investment roles to companies within the wider SEI group. SEI and other third-party asset managers are, where appropriate, used within the Scheme's portfolio either as investment managers of pooled funds or as asset managers within multi-manager pooled funds.

The Fiduciary Management Agreement (the '**Agreement**') sets out the scope of the Fiduciary Manager's duties together with fees, investment restrictions and any other relevant matters in relation to the Scheme. The Fiduciary Manager is authorised and regulated by the Financial Conduct Authority (FCA) and provides the skill and expertise necessary to manage the investments of the Scheme competently and in accordance with the terms of the Fiduciary Management Agreement and the principles of this SIP.

The Trustee will monitor the performance of the Fiduciary Manager against the agreed performance objectives. The Trustee will regularly review the activities of the Fiduciary Manager to ensure they continue to perform in a competent manner and have the appropriate knowledge and experience to manage the assets of the Scheme.

The Fiduciary Manager has been provided with a copy of this SIP and is aware that it is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995.

2. Investment objective

The Trustee's primary objectives in respect of the defined benefit (DB) assets are:

- to ensure that sufficient assets are available, with a high degree of certainty, to secure members' benefits through an insurance buyout at an appropriate time
- to have sufficient liquidity to enable an orderly and efficient insurance transaction

3. Choosing investments

The Trustee has delegated the management of the investment portfolio to the Fiduciary Manager. When choosing investments, the Fiduciary Manager is required to have regard to the criteria for investment set out in the Investment Regulations, the Occupational Pension Scheme (Charges and Governance) Regulations 2015 and the principles contained in this statement.

To support the objectives, the Scheme's assets are invested in a liquid portfolio of UK government bond (gilt) and liability-driven investments (LDI) funds, designed to closely track movements in the Scheme's liabilities on a proxy buyout basis and preserve the funding position on this basis. The portfolio is structured to hedge the interest rate and inflation risk inherent in the liabilities on a proxy buyout basis. The strategy is designed to minimise funding volatility, protect the Scheme's readiness for buyout, and ensure assets can be readily realised to meet insurer pricing and transaction requirements.

The Scheme's investments are implemented via pooled funds.

4. Kinds of investments

The Fiduciary Manager may invest in pooled gilt and LDI funds.

The investments in each fund will depend on the nature of the fund, its objective and benchmark and the risk controls which operate. The target asset allocation and restrictions on the types of investments is reflected within the Fiduciary Management Agreement.

The Trustee has determined that derivatives or other financial instruments may be used to hedge the Scheme's liability risks (principally interest rate and inflation risks). In addition, derivatives may be used within pooled funds for the purpose of efficient portfolio management. At any given time, a minimum level of assets of sufficient liquidity and quality will be held to ensure the Scheme is able to satisfy collateral or margin calls, which may arise as a result of the derivatives positions it holds.

5. Balance between different kinds of investments

The target asset allocation consists of pooled gilt and LDI funds. The portfolio has been constructed to hedge the Scheme's liabilities on a proxy buyout basis.

The range of, and any limitation on the proportion of, the Scheme's assets held in any asset class will be agreed between the Fiduciary Manager and the Trustee. These ranges and sets of limitations are specified in the Fiduciary Management Agreement and may be revised from time to time if considered appropriate.

6. Risks, including the ways in which risks are to be measured and managed

The Trustee recognises a number of risks involved in the investment of the assets of the Scheme and monitors these risks on a regular basis. The key identified risks are as follows:

Custody risk – The Trustee will assess and consider the actions of the custodian of the Scheme's assets, SEI Global Nominees Limited, at the outset and on an ongoing basis to mitigate the risk of misappropriation of assets, delivery that is not in accordance with the instructions, unauthorised use of assets for the benefits of other customers of the custodian, inadequate segregation of customer assets, failure to collect income, recover tax or respond to corporate events and custodian default. The custodian ring fences the Scheme assets from its own and those of its other clients.

Cashflow risk – The risk of a shortfall of liquid assets relative to the immediate liabilities. The Trustee and their advisers will manage the Scheme's cash flows taking into account the timing of future payments and may borrow over the short-term in order to minimise the probability that this occurs.

Leverage and collateral management risk – The risk that leveraged LDI investments could face sudden collateral calls during periods of rapidly rising gilt yields, potentially forcing asset sales at unfavourable times if liquidity is insufficient. The Scheme addresses this risk by holding a portfolio that is 100% daily liquid, ensuring collateral can be met quickly without disrupting the wider strategy. In addition, leverage levels on the LDI funds are set very prudently, at the conservative end of regulatory guidance, significantly reducing the likelihood and scale of collateral stresses and helping to ensure the resilience of the strategy in volatile markets.

Demographic risk – Demographic factors include the uncertainty surrounding mortality projections such as future improvements in mortality experience. The Trustee is currently using the mortality assumptions used for the actuarial valuation as at 5 April 2024, and recommended by the Scheme Actuary, to measure the Scheme's liabilities on a proxy buyout basis. These mortality assumptions inform the liability cashflow profile and therefore the hedging profile.

Manager risk – The failure by the Fiduciary Manager to achieve the rate of investment return assumed by the Trustee. This issue has been considered by the Trustee on the initial appointment of the Fiduciary Manager and thereafter will be considered as part of the investment review procedures the Trustee has put in place.

To support the objectives, the Scheme has de-risked to a portfolio consisting entirely of gilt and LDI funds, which is intended to track the Scheme's liabilities on a proxy buyout basis. This portfolio is not expected to outperform the liabilities on this basis, though the strategy is intended to preserve the proxy buyout funding position.

Concentration risk – The risk that the performance of any single asset class or single investment that constituted a significant proportion of the assets would disproportionately influence the ability of the Trustee to meet the objectives.

To support the objectives, the Scheme has de-risked to a portfolio consisting entirely of gilt and LDI funds, which is intended to track the Scheme's liabilities on a proxy buyout basis.

Credit risk – The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Trustee limits the risk by restricting the Scheme's exposure to investments with high credit risk and by ensuring that credit risk is well diversified across a number of counterparties.

Market risk – The risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market prices. This includes the risk of changes in interest rates and inflation. The Trustee will monitor the performance and ratio of assets in relation to these risks.

Expense risk – As the Scheme has de-risked into a portfolio invested entirely in gilt and LDI funds, the expected net return after expenses is lower than the gross return on gilts. However, given the Scheme's objective to secure buyout in the near term, this drag on returns is considered a secondary risk. It is viewed as an acceptable consequence of adopting a matching-only strategy focused on hedging the proxy buyout liabilities.

Basis risk – the risk that the Scheme is hedging a *proxy* measure of the buyout liabilities, while actual insurer pricing cannot be known until a price-lock portfolio is provided by the chosen insurer. This means there may be some divergence between how assets and insurer liabilities move ahead of the transaction. The Scheme has mitigated this risk by structuring the hedging portfolio to align closely with typical insurer pricing approaches. Gilt repurchase (repo) exposure has been used, while interest rate and inflation swaps have been excluded from the portfolio. This reduces modelling and implementation differences, helping to narrow the potential gap between the proxy hedge and eventual insurer buyout pricing.

The Trustee will keep these risks under regular review. The management of investment risk is delegated to the Fiduciary Manager.

7. Expected return on investments

A return on investments is required which, over the long term, is expected to be consistent with the goal of the Trustee meeting the Statutory Funding Objective and eventually buying out the Scheme's liabilities with an insurer. The Trustee will monitor the performance of the Scheme's assets against liabilities and the performance of the Fiduciary Manager against the agreed objectives.

To support the objectives, the Scheme has de-risked into a portfolio consisting entirely of gilt and LDI funds, which is intended to track the Scheme's liabilities on a proxy buyout basis. This portfolio is not expected to outperform the liabilities on this basis, though the strategy is intended to preserve the proxy buyout funding position.

8. Realisation of investments

The Trustee is aware of the importance of fund liquidity and the risk that core financial transactions are not processed promptly due to lack of liquidity in the investments. The preference of the Trustee is for investments that are readily realisable. The portfolio, which consists of gilt and LDI funds, is fully liquid.

The Trustee will ensure that the Fiduciary Manager is made aware of the cashflow requirements of the Scheme. The Fiduciary Manager will be responsible for ensuring that, in normal market conditions, sufficient assets are readily realisable to meet any disinvestments required by the Trustee to meet these cashflows.

9. Financially material considerations

The Trustee has considered how financially material considerations (including environmental, social and governance ('ESG') factors such as climate change) should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

The Trustee has delegated asset manager selection to the Fiduciary Manager. The Fiduciary Manager will seek to appoint asset managers that have appropriate skills and processes to take account of financially material considerations in the selection, retention and realisation of investments, and regularly reviews how its asset managers are doing so in practice. The Trustee expects the Fiduciary Manager to provide updates on the latest position on ESG factors and any material decisions that have been taken by SEI or third-party asset managers as a result of considering such issues.

10. Non-financially material considerations

The Trustee has decided not to take non-financial considerations into account in the selection, retention and realisation of investments. For this purpose, "non-financial matters" means the views of the members and beneficiaries, including (but not limited to) their ethical views, and their views in relation to social and environmental impact on the present and future quality of life of the members and beneficiaries of the Scheme. In reaching this decision, the Trustee has considered both the challenges of engaging a properly representative sample of members and the strong likelihood of a lack of consensus among those most likely to respond to such a consultation.

11. Voting, stewardship & engagement

To support the objectives, the Scheme has de-risked into a portfolio consisting entirely of gilt and LDI funds, which is intended to track the Scheme's liabilities on a proxy buyout basis.

Therefore, in practice, the scope for voting, stewardship and engagement is limited, as the underlying investments do not confer traditional equity voting rights.

The Trustee nevertheless expects investment managers to act as responsible stewards of capital and to integrate environmental, social and governance (ESG) considerations where relevant to risk management.

The Fiduciary Manager is a signatory to the 2020 UK Stewardship Code, and will report on its wider voting, stewardship and engagement activity to the Trustee on a periodic basis, together with its adherence to the UK Stewardship Code.

12. Asset manager arrangements

Monitoring and incentivising managers to align with Trustee's investment strategy

The Fiduciary Manager is incentivised to align its investment strategies with the Trustee policies mentioned in this SIP through the terms set out in the Fiduciary Management Agreement, and by the Trustee setting investment objectives which are reviewed annually. The Trustee will monitor performance quarterly and assess performance against these investment objectives annually. Such review will include how well the Fiduciary Manager is aligned with the SIP and consider the quality of service provided.

If the Fiduciary Manager does not meet its objectives, it may ultimately result in the termination of its mandate. The agreement with SEI allows the Trustee to terminate with one month's notice.

SEI engages third-party asset managers either through the use of third-party pooled funds or through the appointment of asset managers within multi-manager pooled funds.

SEI will monitor the asset managers' performance on an ongoing basis against the particular investment strategy and objectives agreed with that manager. Where an asset manager is not performing or acting in a manner SEI feels is appropriate it may ultimately result in the termination of their mandate.

The fees paid to the Fiduciary Manager, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high-quality service that meets the stated objectives, guidelines and restrictions of the Scheme. The Fiduciary Manager is responsible for fee arrangements with asset managers, the costs of which are borne directly by the Scheme.

Monitoring portfolio turnover and costs

The Trustee has delegated the monitoring of the costs incurred by asset managers in the buying, selling, lending or borrowing of investments to the Fiduciary Manager.

The Trustee recognises that portfolio turnover (being the frequency with which the assets are expected to be bought/sold) and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the Fiduciary Manager. However, the Fiduciary Manager will incorporate portfolio turnover and resulting transaction costs in its advice on the Scheme's investment mandates. When the Trustee agrees a particular strategy and investment mandate, this will then set an expected level of turnover and transaction costs. The Trustee monitors and reviews the actual level of the costs and turnover against this expected level.

Duration of asset manager agreements

The agreement with the Fiduciary Manager has an indefinite term but can be terminated by the Trustee giving one month's notice. The Trustee does not have any direct agreements with third-party managers used by the Fiduciary Manager.

13. Declaration

The Trustee confirms that this SIP reflects the investment strategy it has implemented for the Scheme. The Trustee acknowledges that it is their responsibility, with guidance from SEI, the Fiduciary Manager, to ensure the assets of the Scheme are invested in accordance with these principles.

For and on behalf of Schneider Trustees Limited
in its capacity as Trustee of The APC Pension Scheme