Singapore Airlines Pension and Life Assurance Scheme

Statement of Investment Principles

Barnett Waddingham LLP

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Contents

1. Introduction

1.1. This is the Statement of Investment Principles prepared by the Trustee of the Singapore Airlines Pension and Life Assurance Scheme ("the Scheme"). This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004; and
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010; and
- the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018; and
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2. In preparing this statement the Trustee has consulted Singapore Airlines Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.

1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), Scheme Funding legislation and the Pensions Regulator's 2015 guidance in relation to Integrated Risk Management (IRM).

1.4. The Trustee will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.

1.5. The investment powers of the Trustee are set out in Clause 7 of the Final Salary Section Rules, dated 19 June 2000. This statement is consistent with those powers.

2. Choosing investments

2.1. The Trustee has secured a bulk annuity policy with Pension Insurance Corporation ("PIC"). PIC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulatory Authority. The Trustee also holds five legacy fully insured annuity policies, three with Legal and General Assurance and two with Canada Life, in respect of five members which the Trustee is currently being advised on by Spence. Legal and General Assurance and Canada Life are both authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The Trustee also has an AVC contract with Prudential for the receipt of members' Additional Voluntary Contributions ("AVCs"). Prudential is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

2.2. The Trustee reviews the appropriateness of the Scheme's investment strategy on an ongoing basis. The Trustee will also consult the Employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustee has discussed key investment objectives in light of an analysis of the Scheme's liability profile as well as the constraints the Trustee faces in achieving these objectives. As a result, the Trustee's main investment objectives are:

- to ensure that the Scheme can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to reduce the risk of the assets failing to meet the liabilities over the long term;
- to minimise the long-term costs of the Scheme whilst having regard to the above objectives.

3.2. The Trustee is aware of the relationship that exists between the particular investment portfolio that is held and both the level of funding of the Scheme's liabilities and the Employer Covenant. The Trustee has secured a bulk annuity which covers the benefits due to all members, subject to final adjustments in due course.

4. Kinds of investments to be held

4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property, alternatives and annuity policies.

4.2. As the Scheme's investments consist almost entirely of the bulk annuity policy with PIC, there should be minimal (if any) employer-related investment content within the Scheme's portfolio. Any check would typically be carried out annually by the Scheme's auditor.

5. The balance between different kinds of investments

5.1. The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within Appendix 1 to this Statement.

5.2. The Scheme holds a bulk annuity policy with PIC and five legacy annuities which are expected to meet the benefit entitlements of each of the Scheme's members, subject to final adjustment in due course. The remainder of the Scheme's assets are held in cash in the Scheme's bank account and the AVC policy with Prudential.

5.3. The nature of the bulk annuity policy means that the insurer will meet cashflow requirements in respect of benefit payments. The Trustee expects any fees and other expenses to be met using the existing bank balances held and, where relevant, contributions from the Employer.

5.4. From time to time the Scheme may hold cash and therefore deviate from its strategic asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.

6. Risks

6.1. The Trustee has considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities, and has considered ways of managing/monitoring these risks:

Risk versus the liabilities	The Trustee notes that by securing the Scheme's benefits with an insurer, the risk of benefits not being met is now limited.
Covenant risk	The creditworthiness of the Employers and the size of the pension liability relative to the Employers' earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant. Given the Scheme's liabilities are now matched by a bulk annuity contract, which provides a further buffer against needing to rely on the covenant, there is now limited exposure to the strength of the covenant.
Investment manager risk	The Scheme's main asset is the annuity policy held with PIC and there is no exposure to investment manager risk in relation to this asset.
ESG/Climate risk	The Trustee has considered long-term financial risks to the Scheme and concluded that ESG factors as well as climate risk are potentially financially material. However, the nature of the bulk annuity contract means that these risks are unlikely to be financially material to the Scheme's investment strategy.
Concentration risk	Almost the entirety of the Scheme's investments are held in a single insurance contract. However, given the protections in place through the insurance regulatory regime and the expectation that the Scheme will ultimately wind-up, the Trustee is comfortable with the resulting concentration risk.
Liquidity risk	Responsibility for providing the monies to pay member benefits lies with the insurer as the provider of the bulk annuity policy, which mitigates the majority of the potential liquidity risk.
Loss of investment	This is the most significant risk in relation to the bulk annuity policy. In the event of the insurer becoming insolvent, the Scheme could suffer losses (but would still retain the liability to pay members' benefits). This risk is mitigated by the regulatory regime and capital requirements in place for UK insurers.

7. Expected return on investments

7.1. The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The bulk annuity contract purchased with PIC is expected to match the liabilities exactly (once further adjustments have been completed for example around data reconciliation) and has therefore been chosen on the basis to match the liabilities rather than its investment return in isolation. The Trustee is advised by their professional advisors on these matters, who are deemed to be appropriately qualified experts.

8. Realisation of investments

8.1. The Scheme's main investment is an annuity policy which is not readily realisable but is structured so as to pay to the Trustee the money required to pay benefits to members as they fall due.

9. Financially material considerations, the exercise of rights and engagement activities, and non-financial matters

9.1. The Trustee believes that Environmental, Social and Governance ("ESG") factors are financially material – that is, they have the potential to impact the value of the Scheme's investments from time-to-time. As the Trustee has secured benefits with an insurance company, these factors are now financially material only to the extent that they are likely to directly impact the solvency of the insurer. The Trustee considers this to be a remote risk.

9.2. The bulk annuity policy has no attaching voting rights.

9.3. The Trustee does not consider any non-financial matters when constructing the investment strategy and/or when selecting or reviewing individual investments.

10. Policy on arrangements with asset managers

10.1. The Trustee is required by legislation to state its policy covering various aspects of the Scheme's arrangements with the asset managers through which the Scheme invests. As the Scheme does not invest with any asset managers there is no such policy.

11. Agreement

11.1. This statement was agreed by the Trustee, following consultation with the Employer, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the Employer, the Scheme Actuary and the Scheme's auditor upon request.

Agreed by the Trustee on behalf of the Singapore Airlines Pension and Life Assurance Scheme

February 2024

Appendix 1: Investment policy as at January 2024

1. The balance between different kinds of investment

The Trustee' strategic asset allocation is set out in the table below, which has been agreed after considering the Scheme's liability profile, funding position and the strength of the Employer Covenant.

Asset class	Allocation (%)
PIC annuity policy	100.0
Total	**100.0**

The Scheme will also hold cash in a bank account to cover fees and other expenses, as required.

The allocation above does not include the five legacy annuity policies nor the AVC policy with Prudential.

2. Choosing investments

The Trustee has secured an insurance contract in respect of the Scheme's liabilities with Pension Insurance Corporation ("PIC"), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority.

The Trustee also holds five legacy fully insured annuity policies, three with Legal and General Assurance and two with Canada Life, in respect of five members which the Trustee is currently being advised on by Spence. Legal and General Assurance and Canada Life are both authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

The Trustee also has an AVC contract with Prudential for the receipt of members' Additional Voluntary Contributions ("AVCs"). Prudential is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. However, the Trustee has considered the AVC options available with PIC as part of the decision to buy-in with PIC to ensure that, should the Trustees move to buy-out, the members insured by PIC can continue to retain maximum flexibility over the use of their AVC funds.

The Trustee has appointed Barnett Waddingham LLP to advise on investment matters.

3. Fee agreements

There are no ongoing fees in respect of the PIC annuity policy.

Barnett Waddingham are remunerated on a fixed fee and/or time cost basis depending on the work carried out and as agreed from time to time.

4. Kind of investments to be held

The Trustee has considered all assets classes and gained exposure to the following asset classes:

- Annuity policies; and
- Cash

5. Realisation of investments

The annuity policies have been structured to provide sufficient income to meet all benefit payments as they fall due, subject to final adjustments in due course. Therefore, the Trustee does not foresee any need to surrender (i.e. realise) the value of its annuity policies. However, in such an event, the Trustee would take appropriate advice before making any decisions.

The Trustee expects ongoing expenses to be met using the existing bank balances and, where relevant, through further contributions by the Employer.