

Lincoln Staff Benefits Plan Statement of Investment Principles

May 2026

Introduction

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 (as amended) for the Lincoln Staff Benefits Plan (the "Trustee", collectively referred to as the "Plan"). It describes the investment policy being pursued by the Trustee and is in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK ('the Myners Principles') and TPR's Investment Guidance for defined benefit pension schemes. This SIP also reflects the requirements of Occupational Pension Plans (Investment and Disclosure) (Amendment and Modification) Regulations 2018.

The Scheme Actuary is Edward Russell of Towers Watson Limited, the Investment Adviser is Schroders Solutions (collectively termed 'the Advisers').

The Trustee confirms that, before preparing this SIP, they have consulted with the Sponsoring Employer and the Plan Actuary and have obtained and considered written advice from the Investment Adviser.

The Trustee is responsible for the investment of the Plan's assets and where they are required to make an investment decision, the Trustee always receives advice from the relevant Advisers first. They believe that this ensures that they are appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000, the Trustee set general investment policy. The bulk of the Plan's assets are invested in an annuity asset, which fully matches benefit outgo. The Trustee has delegated day-to-day investment of any assets remaining in the Scheme's investment portfolio to be undertaken through the fiduciary management service of Schroders Investment Solutions Limited ('Schroders Solutions'), hereafter referred to as the 'Investment Manager'.

Plan Governance

The Trustee is responsible for the governance and investment of the Plan's assets. The Trustee considers that the governance structure is appropriate for the Plan as it allows the Trustee to make the important decisions on investment policy, while delegating the day-to-day aspects to the Investment Manager or the Advisers as appropriate.

The Trustee will review this SIP at least every three years, or following any changes to the investment strategy, and modify it with consultation from the Advisers and the Sponsoring Employer if deemed appropriate. There will be no obligation to change this SIP, the Investment Manager or Adviser as part of such a review.

Suitability

The Trustee has defined the investment objective and investment strategy with due regard to the Plan's liabilities.

The Trustee has taken advice from the Advisers to ensure that the proposed strategy, and the assets held by the Plan through that strategy, are suitable given its liability profile, the Trustee's objectives, legislative requirements, regulatory guidance and specifications in the trust deed and rules governing the Plan (the Trust Deed).

Statutory Funding Requirement

The Trustee will obtain and consider proper advice on the question of whether the investments and investment strategy are satisfactory having regard to both the investment objectives and the requirement to meet any statutory funding requirements. The funding position is reviewed periodically by the Plan Actuary, with a full actuarial valuation at least every three years.

The Trustee will consider with the Investment Adviser and the Scheme Actuary whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the statutory funding requirement.

Investment Objectives

The overall objective of the Plan is to meet the benefit payments promised as they fall due. The Trustee has met this objective by purchasing an annuity asset, which provides the cash needed to pay the members' benefits in their entirety as they fall due each month. Some additional assets remain in the investment portfolio, and these are held in cash, cash funds and/or short dated gilts, managed by the Investment Manager.

Implementation of investment strategy

The Trustee employs the Investment Manager to manage any assets remaining in the Plan's investment portfolio.

Monitoring

The Trustee, or any other suitably qualified Adviser on behalf of the Trustee, will regularly review the activities of the Investment Manager to satisfy themselves that the Investment Manager continues to carry out their work competently and have the appropriate knowledge and experience to manage the assets of the Plan.

As part of this review, the Trustee will consider whether or not the Investment Manager:

- Is carrying out their function competently.
- Has regard to the suitability of each investment and each category of investment; and
- Has been exercising their powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical.

If the Trustee is not satisfied with the Investment Manager they will ask the Investment Manager to take steps to rectify the situation. If the Investment Manager still does not meet the Trustee's requirements, the Trustee will remove the Investment Manager and appoint another.

Corporate Governance and Stewardship

In relation to the annuity asset, corporate governance and stewardship are the responsibility of the provider.

In relation to any assets remaining in the Plan's investment portfolio, the Trustee and Investment Manager have agreed, and will maintain, formal agreements setting out the scope of the Investment Manager's activities, charging basis and other relevant matters. The Investment Manager has been provided with a copy of this SIP and 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.

The Trustee has appointed the Investment Manager to implement the Plan's investment strategy in relation to any assets remaining in the Plan's investment portfolio, which are primarily held in cash, cash funds and/or short-dated gilts. The Investment Manager manages assets directly on behalf of the Trustee as well as having delegated authority to appoint, monitor and change the Underlying Investment Managers.

The Investment Manager is appointed to carry out its role on an ongoing basis. The Trustee periodically reviews the overall value-for-money of using Schroders Solutions. The Trustee is satisfied that these arrangements incentivise the Investment Manager:

- to align its investment strategy and decisions with the Trustee's investment policies; and
- to assess and make decisions based on the medium to long-term financial and non-financial performance of issuers of debt, and, where possible, to engage with such issuers to improve this medium to long-term performance.

The Trustee notes that the scope for such engagement is likely to be extremely limited, and that, given the absence of equity holdings there is no scope for voting.

The Investment Manager undertakes regular reviews of all Underlying Investment Managers. These reviews incorporate benchmarking of performance and fees, with some managers on performance-related fees as well as performance reviews (including understanding key drivers of performance), investment due diligence meetings and operational due diligence reviews. The Investment Manager reviews the governance structures of Underlying Investment Managers, as well as assessing whether their fees, expenses (and any other charges) are in line with industry peers at inception and from time to time whilst invested.

Where it can be determined, the Investment Manager assesses whether Underlying Investment Manager remuneration arrangements are aligned with the Trustee's objectives. The method and time horizon for evaluating and remunerating Underlying Investment Managers is determined by criteria set by the Investment Manager, as detailed above.

The Trustee acknowledges the inherent potential for conflicts of interest which exist as part of ongoing investment management business activities. As an FCA regulated firm, the Investment Manager is required to prevent or manage conflicts of interest. Where Underlying Investment Managers are also regulated, they are likely to be subject to such requirements to manage conflicts of interest as are applicable in their jurisdiction of incorporation or operations. The Investment Manager directly monitors these as part of their regulatory

filings (where available), the Investment Manager also monitors this as part of ongoing review. The Investment Manager's Conflict of Interest policy was shared with the Trustee.

The Investment Manager oversees the turnover costs incurred by Underlying Investment Managers as part of its ongoing monitoring process and evaluates such costs to determine if they are in line with peer groups and the Investment Manager's expectations. Where there are material deviations the Investment Manager engages with Underlying Investment Managers to understand the rationale for such deviations and take appropriate action.

Realisation of Investments

The assets (excluding the annuity asset) are held in cash and cash funds of UK Government securities, which can be realised easily if the Trustee so requires.

Additional Voluntary Contributions (AVCs)

Since January 2024, AVCs have been managed by the Legal & General Assurance Limited Master Trust.

Financially material investment considerations

These considerations which include the below "Risks" can affect the long-term financial performance of investments and can (but do not have to) include environmental, social and governance factors (otherwise known as "ESG") where relevant. The Trustee policy is to delegate consideration of financially material factors to the Investment Manager who considers these when constructing the portfolio, including looking at Underlying Investment Managers. All references to ESG also include climate change.

ESG factors and stewardship are considered, in the context of long-term performance, by the Investment Manager as part of the manager selection criteria. This review occurs before they are approved for investment in the portfolio. Once an Underlying Investment Manager is appointed, the Investment Manager monitors the ESG implementation and ongoing compliance with other factors, such as stewardship, as a part of overall engagement.

Risks

The Trustee recognises a number of risks involved in the investment of the assets of the Scheme. **Funding and asset/liability mismatch risk** – the risk that the funding level is adversely affected due to a mismatch between the assets and liabilities. This risk is managed by holding an annuity asset that will provide an exact match for the Plan's benefit outgo.

- **Cash flow risk** – addressed through the annuity asset, which provides cash to meet the benefit outgo.
- **Counterparty risk** – the risk of a counterparty to an agreement not carrying out their side of the deal. The annuity asset is held with a single counterparty; however, the Trustee consider this counterparty risk in the context of the regulatory regime, currently administered by the Prudential Regulation Authority (PRA), within which insurance companies in the UK must operate.
- **Country risk** – the risk of an adverse influence on investment values from political intervention is small given the nature of the assets.
- **Currency risk** – the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. This does not arise in relation to the annuity asset.

- **Default risk** – the risk of income from assets not being paid when promised. This is addressed through the annuity asset being provided by an insurer which has been assessed as having little default risk.
- **ESG risk** – the risk of adverse performance due to ESG related factors including climate change. This is addressed by the Insurer’s ESG Policy.
- **Sponsor risk** – The Trustee continues to review the covenant of the sponsoring employer on a regular basis, although the annuity policy is expected to eliminate substantially all of the scheme’s funding risk.

The Trustee will keep these risks and how they are measured and managed under regular review.

Non-financial matters

The Trustee does not at present take into account non-financial matters (such as members’ ethical considerations, social and environmental impact matters or future quality of life considerations for members) when making investment decisions.

Signed: _____

Date: _____

For and on behalf of **Lincoln SBP Trustee Limited**