Verity Trustees Limited

Statement of Investment Principles – Defined Benefit Schemes

1. Purpose

Verity Trustees Limited ("VTL" or "the Trustee") is the corporate trustee of The Pensions Trust and The Pensions Trust 2016. The Pensions Trust incorporates both Defined Benefit ("DB") and Defined Contribution ("DC") pension schemes, whereas The Pensions Trust 2016 comprises DB schemes only.

The Trusts are centralised occupational pension funds for non-associated employers. The DB assets of both Trusts are structured across multiple segregated schemes.

This Statement of Investment Principles ("SIP") sets out the Trustee's policy on various matters governing decisions about investment of the DB assets.

It has been prepared to meet the requirements of:

- The Pensions Act 1995 (as amended);
- The Occupational Pension Schemes (Investment) Regulations 2005 and subsequent amendments;
- Relevant guidance from The Pensions Regulator (TPR).

This SIP has been prepared after obtaining and considering written professional advice from advisers whom the Trustee believes to be suitably qualified and experienced to provide such advice.

2. Date of Adoption – 1 October 2026

The Trustee will review this SIP from time to time and, with the help of its advisers, will amend it as appropriate. These reviews will take place without delay after any significant change in investment policy, and at least once every three years.

3. Governance

The Trustee retains ultimate responsibility for determining the investment policy of the schemes. Implementation of this policy is delegated to TPT Investment Management ("TPTIM"). TPTIM is authorised and regulated by the Financial Conduct Authority.

TPTIM advises the Trustee with respect to the design of the investment strategy and the suitability of investments, and undertakes the day-to-day management of schemes' assets in line with the agreed strategy, guidelines and constraints. This includes the appointment and monitoring of one or more investment managers, who are in turn responsible for the day-to-day management of the underlying investments.

To ensure safekeeping of the assets, custodian organisations will have day-to-day control of the assets. Those custodians are independent of the sponsoring employers and the investment managers.

4. Investment Beliefs & Principles

The Trustee has established a set of investment beliefs that provide a clear framework for long-term decision making and guide the design of the schemes' investment strategies.

The Trustee believes that the impact of Environmental, Social and Governance (ESG) factors, including climate change and other ESG-related risks and opportunities, can be financially material and should be assessed over the appropriate time horizon. The Trustee has adopted a dedicated set of Responsible Investment Principles, which reinforce the central role of stewardship and the integration of ESG factors in protecting and enhancing long-term value.

Together, these beliefs and principles underpin the Trustee's approach to investment strategy, manager oversight, and stewardship. Both are reviewed annually and made publicly available on TPT's website.

In addition, the Trustee considers non-financial matters – as defined in the Occupational Pension Schemes (Investment) Regulations 2005 – which include members' and beneficiaries' ethical views, and their views on social and environmental impact and quality of life. These views are taken into account where practicable and consistent with the Trustee's duties, guided by the Ethical Investment Framework. Appointed managers are expected to reflect these considerations where relevant, and to report on exclusions and ethical investment activities.

5. Investment Objectives

The Trustee's primary objective is to ensure sufficient assets are available to meet member benefits as they fall due. The Trustee has set some additional objectives as follows:

1. The expected return on the schemes' assets is set at a level consistent with the funding journey set by the Trustee whilst maintaining investment risk at an appropriate level.
2. The schemes should become fully funded on a low dependency basis (i.e. the asset value should be at least that of the liabilities valued on this funding basis). The Trustee is aware that there are various measures of funding and has given due weight to those considered most relevant to each scheme.

Separately, TPTIM sets objectives for each underlying investment manager and monitors performance relative to those objectives.

6. Investment Strategy

When deciding how to invest the schemes' assets, the Trustee obtains and considers advice from its advisers, principally TPTIM. This includes advice on whether the investments are satisfactory, having regard to the need for suitable and appropriately diversified investments. This ensures the Trustee considers a range of different asset classes and the associated risks, while taking account of:

- Funding position and liability profile;
- Employer covenant strength;
- Risk appetite and capacity for loss;
- Contributions;
- Cashflow requirements;
- Investment and funding objectives.

TPTIM allocates assets across three key portfolio components as shown below. By balancing exposure between these portfolios, TPTIM seeks to generate excess returns over the liabilities while managing overall risk effectively.

- **Matching Portfolio (MP):** Includes assets such as gilts and leveraged gilts (commonly known as Liability Driven Investment, or 'LDI') that closely match the characteristics of the liabilities, thereby mitigating funding risks related to interest rate and inflation fluctuations. TPTIM implements bespoke liability hedging strategies to enhance hedge quality and support effective risk management.
- **Growth Asset Portfolio (GAP):** Aims to deliver long-term asset growth through diversified exposure to a variety of public and private return-seeking assets. This portfolio includes liquid and illiquid strategies to help optimise risk-adjusted returns.
- **Matching-Plus Portfolio (MPP):** Comprises contractual cashflow assets such as corporate bonds and secured income strategies, with a focus on high credit quality. These assets are expected to be lower returning and lower risk compared to the return-seeking assets in the GAP. They may also contribute to the hedging of the liabilities.

7. Implementation of the Investments

The investments are predominantly implemented via pooled funds. Some of these pooled funds are structured as funds of funds managed by TPTIM, which are populated with underlying investment managers. The selection, monitoring and termination of the investment managers is delegated to TPTIM.

The fact that investments are implemented through pooled funds means the Trustee has limited direct influence over each manager's investment practices, but it encourages TPTIM to ensure these managers maintain or improve their practices where appropriate.

The allocation to LDI means schemes hold leveraged assets, exposing them to collateral and liquidity risk. TPTIM monitors the level of leverage and collateral available within LDI arrangements, as well as within the wider assets. This includes careful consideration of which assets are directly available to support the LDI collateral requirements. As part of this, the Trustee takes into account The Pensions Regulator's guidance on LDI.

The Trustee recognises that portfolio turnover – the buying and selling of investments – and associated transaction costs are a normal part of investment management. These costs are monitored via reporting provided by TPTIM.

The Trustee's view is that the fees paid to TPTIM and the underlying investment managers are appropriate and, together with the possibility that their mandates can be terminated, ensures they are incentivised to provide services that meet the stated objectives.

8. Risk Management

Risk appetite is a measure of how much risk the Trustee is willing to bear within assets in order to meet its investment objectives. Taking more risk is expected to mean that objectives can be achieved more quickly, whilst recognising this can also increase the likelihood that objectives are not met. Risk capacity is a measure of the extent to which the Trustee can tolerate deviation from its long-term objectives before attainment of those objectives is impaired. The Trustee aims to strike the right balance between risk appetite and risk capacity.

The Trustee recognises that there are a number of different types of risk that are important to identify, monitor, and manage, including:

- Liability mismatch and basis risk;
- Covenant risk;
- Concentration risk;
- ESG and climate risk;
- Liquidity risk;
- Manager risk.

A detailed description of key risks identified by the Trustee and the associated mitigation measures is provided in the appendix to this SIP.

Operational controls

Investments are held by custodians. Only authorised persons can instruct investment transactions, including the transfer of assets between managers. Each investment manager makes investment decisions within control ranges agreed with TPTIM, which are reviewed from time to time. Some assets are readily marketable and investments may be realised from time to time to make payment of benefits. As part of their monitoring responsibilities, TPTIM organises regular and formal meetings with the investment managers and other third parties such as the custodian. By using a number of investment managers, the risk attached to adverse performance by any one manager is

reduced. Managers may only use derivative contracts with the prior agreement of TPTIM.

9. Responsible Investment, ESG & Non-Financial Matters

The Trustee is committed to being a long-term, responsible steward of capital. In line with its fiduciary duties, it recognises that material ESG factors – including but not limited to climate change, biodiversity loss, and human rights – can influence investment risk and return over time. These considerations are integrated into the Trustee's approach to risk management and portfolio resilience via its Responsible Investment Framework. Reviewed annually, the framework sets out the Trustee's policies on: Fund Manager Selection and Monitoring; Voting and Engagement; Climate Change; Human Rights; Deforestation; Controversial Weapons; Stewardship and Communication.

Implementation of the framework is delegated to TPTIM. The framework is publicly available on TPT's website. The Trustee, supported by the Investment Oversight Committee, oversees TPTIM's implementation.

10. Stewardship Policy

By delegating stewardship responsibilities to TPTIM, the Trustee expects voting and engagement activities are applied consistently, continuously improved, and subject to rigorous oversight.

Voting

TPTIM does not generally vote directly on matters concerning the underlying investments. Instead, voting rights are exercised by the underlying investment managers, as they are considered best placed to make informed decisions given their knowledge of their investment strategies and the access they have to company management.

TPTIM monitors each manager's voting activity to ensure that:

- Voting records are reviewed regularly;
- Votes align with stewardship priorities;
- Significant or contentious votes are flagged for review;
- Divergences from policy expectations are investigated and, if necessary, escalated.

TPTIM expects the managers to vote in line with recognised standards, including the Pensions UK Corporate Governance Policy and Voting Guidelines, and the G20/OECD and ICGN global governance principles. Similar expectations apply to non-UK holdings regarding transparency, board accountability, and shareholder rights.

Where permitted by the investment structure and operational arrangements, the Trustee retains the right to communicate a voting preference or direct a vote on high-priority issues.

Engagement

Engagement is a central tool for responsible investment, used to promote positive change and protect the long-term value of assets. Engagement is undertaken primarily by the appointed investment managers with investee companies and other issuers. TPTIM oversees these activities and may also undertake selected direct, joint or collaborative engagements where these align with the Trustee's stewardship priorities.

TPTIM retains oversight of engagement priorities and outcomes and has escalation procedures in place for cases where progress is insufficient. Voting and engagement policies are set out in the Responsible Investment Framework, available on TPT's website.

11. Monitoring & Review

The Trustee maintains a structured process for monitoring investment performance, policy alignment, and funding progress.

Manager oversight and policy alignment: All investment managers are subject to ongoing review, with activities assessed against stated objectives and policies. Where concerns arise, these are addressed through formal review meetings, with outcomes informing mandate continuation and escalation decisions. Mandates may be amended or terminated if performance or policy alignment is unsatisfactory. Investment managers are required to provide quarterly reports covering investment performance, risk metrics, ESG integration, voting activity, and engagement outcomes.

TPTIM reporting: Regular reporting is provided to the Trustee covering estimated funding position(s), investment performance and attribution, risk measurement, ESG integration, and stewardship outcomes.

Strategic and funding review: The Trustee formally reviews the funding position and investment strategy at least every three years, informed by actuarial valuations and covenant assessments.

Asset allocation review: Each scheme's strategic asset allocation is reviewed regularly to ensure the portfolio remains suitable for the payment of benefits as they fall due.

SIP review: This SIP is reviewed at least every three years, and without delay following any significant change in investment policy.

12. Realisation of Investments

Liquidity is managed to ensure benefits can be paid as they fall due.

Day-to-day liquidity management is delegated to TPTIM and underlying managers, with the Trustee retaining oversight of asset realisation decisions.

13. Funding Requirements

The Trustee receives independent professional advice from its actuary to ensure compliance with the funding obligations of the Pensions Acts 1995 and 2004. Each scheme is individually valued to assess its funding position relative to its benefit obligations.

14. Compliance Statements

The Trustee will consult participating employers before making material changes to this SIP.

The investment strategy and expected return details of individual schemes will be available to members of that scheme on request from the Trustee.

Appendix: Key Risks and Mitigation

The following table outlines key risks identified by the Trustee. The list is not exhaustive. All risks are assessed and monitored regularly.

Risk	Description	Mitigation
Mismatch and Basis	Asset-liability mismatch, particularly from changes in interest rates or inflation. Basis risk can arise due to inability to perfectly match liabilities with assets.	Use of asset–liability modelling to understand and monitor risk relative to liabilities; implement bespoke liability hedging solutions to effectively manage a significant portion of interest rate and inflation risk.
Counterparty	Failure of a counterparty to meet contractual obligations (e.g. due to default).	Set high minimum credit ratings for counterparties; limit exposure to any single counterparty; require collateral for financial contracts to reduce potential loss.
Costs and charges	Excessive investment management, custody, or transaction costs reduce net returns.	Monitor costs and charges; assess value for money when appointing and retaining managers; ensure transparency of cost disclosures in line with industry standards.
Covenant	Risk that sponsoring employers lack the financial capacity or willingness to support the scheme.	Regular monitoring and formal reviews of employer covenant strength.
Credit	Risk of default by issuers of financial assets, or market-wide deterioration in credit quality.	Impose limits on the amount and type of credit assets held; maintain diversification by issuer and credit rating.
Concentration	Excessive concentration in a single issuer, related issuers, or sector.	Maintain an appropriate spread of assets across and within asset classes through the overall investment arrangements and perform regular scenario testing.
ESG & climate change	Financial risks arising from ESG factors, including climate change impacts.	Apply a Responsible Investment Framework, which embeds ESG risk management in decision making, sets climate change expectations, and outlines engagement and monitoring of managers.
Foreign exchange	Losses from unhedged overseas investments.	Consider the use of a foreign currency hedging programme.
Illiquidity	Inability to sell assets quickly or at fair market value.	Set prudent limits on illiquid asset holdings and monitor exposure regularly.
Longevity	Members live longer than expected, increasing benefit payment obligations.	Monitor mortality experience and trends; conduct sensitivity testing of mortality assumptions.
Manager	Persistent underperformance by an investment manager.	Robust manager selection and monitoring; diversify across managers; set tracking error limits and performance targets.
Operational	Losses from inadequate	Maintain robust, documented processes

	processes, systems, personnel, or external events, including custody or transfer failures.	operated by trained staff; test systems; maintain business continuity plans.
Political and geopolitical	Financial risks arising from political or geopolitical developments, including changes in government policy, legislation or regulation, political instability, conflict, sanctions and trade restrictions.	Maintain appropriate diversification across markets, regions and asset classes; monitor material political and geopolitical developments and their potential portfolio impacts.
Strategic Investment	The chosen long-term strategy fails to deliver the expected return or risk profile.	Set and monitor risk measures and limits; review strategic allocations regularly; consider valuation metrics when assessing investments.