CIGNA 2000 UK PENSION PLAN

STATEMENT OF INVESTMENT PRINCIPLES

1. INTRODUCTION

The Trustee of the CIGNA 2000 UK Pension Plan (the "Plan") has drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of:

- The Pensions Act 1995 as amended by the Pensions Act 2004;
- The Occupational Pension Scheme (Investment) Regulations 2005, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015; and
- Subsequent legislation.

As required under the Pension Act 1995 the Trustee has consulted a suitably qualified person in obtaining written advice from Mercer, their Investment Consultant. Where matters described in this Statement may affect the Plan's funding policy, input has also been obtained from the Scheme Actuary. The Trustee will obtain similar advice whenever this Statement is reviewed.

The Trustee's investment powers are set out within the Plan's governing documentation and relevant legislation. If necessary, the Trustee will take legal advice regarding the interpretation of these. The Trustee notes that, according to the law, it has ultimate power and responsibility for the Plan's investment arrangements.

The Trustee seeks to maintain a good working relationship with the sponsoring Company, CIGNA European Services (UK) Limited (the "Company") and will discuss any proposed changes to this Statement with the Company. However, fiduciary obligations to Plan members will take precedence over the Company's wishes, should these ever conflict.

The investment objectives, risk considerations and strategy are set out separately in Section 3, and the policies on day to day management are set out in Section 4.

2. Plan Governance

The Trustee regularly sets aside time as appropriate at meetings to focus on investment matters, as well as taking advice as appropriate from the Scheme Actuary and other professional advisers.

The Trustee is accountable for the investment of the Plan's assets. The Trustee delegates some aspects of the Plan's investment arrangements to third party service providers, in order to manage the Plan's affairs effectively.

The Trustee has appointed Legal & General Investment Management ("the Fund Manager") as Fund Manager of the Plan's assets ('the Fund'). The Trustee believes that Legal & General has the skill and judgement to successfully manage assets and they remain confident that the appointment of Legal & General as Fund Manager is in the best interest of their beneficiaries.

The Fund Manager will manage the Plan’s assets for the Trustee within specified investment guidelines and restrictions and in accordance with this Statement of Investment Principles. The Fund Manager has full discretion to buy, sell, retain, exchange or otherwise deal in investments.

The Trustee retains direct responsibility for setting investment objectives, establishing risk and return targets and setting the Plan’s asset allocation benchmark and investment manager structure. The Trustee makes these decisions after considering recommendations from the Scheme Actuary and Investment Consultant on the interaction of the Plan’s assets and liabilities and the implication this may have for the investment strategy.

The Trustee regularly monitors the investment returns from the Plan’s Fund Manager.

The Plan’s current investment arrangements are described in more detail in the Appendix.

3. INVESTMENT OBJECTIVES, RISK AND INVESTMENT STRATEGY

Investment Objectives

To guide them in the strategic management of the assets and control of the various risks to which the Plan is exposed, the Trustee has considered their objectives and adopted the following:

The Trustee’s primary investment objective is to invest the Plan's assets in such a manner that members’ benefit entitlements can be paid as and when they fall due.

In doing so, the Trustee will take into consideration the level and variability of the contributions from the sponsoring Company.

The investment policy therefore needs to reflect a balance between the following:

(1) A requirement to maintain a reasonable level of investment risk to reduce long term costs;

(2) Controlling the volatility of the fund level and contributions required from the Company;

(3) An acceptance that with a continued exposure to growth markets, the Plan will continue to bear investment risk.

Risk

In assessing the amount of risk to take relative to the liabilities, the Trustee received advice from the Investment Consultant and Scheme Actuary, and held discussions with the Company. In particular, the following possible consequences were considered:

- The assets might not achieve the excess return relative to the liabilities anticipated over the longer term. This would result in deterioration in the Plan’s financial position and consequently higher contributions from the Company than are currently expected.

- The relative value of the assets and liabilities will be more volatile over the short term than if investment risk had not been taken. This will increase the likelihood of there being a shortfall of assets relative to the liabilities in the event of discontinuance of the Plan. This consequence is particularly serious if it coincides with the Company being unable to make good the shortfall.

- This volatility in the relative value of assets and liabilities may also increase the short-term volatility of the Company contribution rate set at successive actuarial valuations, depending on the approach to funding adopted.

The Trustee's willingness to take investment risk is dependent on the continuing financial strength of the Company and its willingness to contribute appropriately to the Plan. The financial strength of the Company and its perceived commitment to the Plan is monitored and the Trustee will reduce investment risk relative to the liabilities should either of these deteriorate by a material amount.

The degree of investment risk also depends on the financial health of the Plan and the Plan's liability profile. The Trustee monitors these with a view to altering the investment objectives, risk tolerance and/or return target should there be a significant change in either.

Having regard to the above factors, and after taking advice from the Investment Consultant and Scheme Actuary, the Trustee de-risked the Plan assets during 2022 to 10% growth/90% matching assets and also terminated the equity mandate with LGIM in favour of a diversified growth fund which aims to produce a return in excess of the return on matching assets, whilst dampening the overall level of volatility.

Investment risk is measured by reference to the likely annual variation in return between the matching portfolio of investments (the liability benchmark portfolio) and the investment arrangements adopted.

In determining the investment policy, the Trustee has considered a number of investment risks to which the Plan is exposed, in particular, the Plan's sensitivity to:

- Interest rates
- Inflation
- Equity markets
- Currency risk

<u>Management of Risks</u>

In addition to targeting an appropriate overall level of investment risk, the Trustee seeks to spread risks across a range of different sources. The Trustee aims to take on those risks for which we expect to be rewarded for over time, in the form of excess returns. The Trustee believes that diversification helps to manage the risks by limiting the impact of any single risk.

Among the asset classes that the Trustee has considered for the Plan's investments are:

1) *UK Government bonds* – although UK Government bonds are the lowest risk asset relative to the Plan's liabilities, they are not risk free. Interest rate risk exists if the cash flow profile of the UK Government bonds held differs from that of the

projected liabilities. Inflation risk exists if the assets and projected liabilities have different linkages to inflation. The Trustee implemented a Liability Driven Investment ("LDI") mandate in July 2020 in order to better align the profile of the Plan's bond assets with that of the Plan's liabilities. This mandate was updated in April 2022 with the aim to hedge 100% of the Plan's interest rate and inflation risks by investing in a range of leveraged and unleveraged gilt funds.

2) *Other bonds* – in addition to interest rate risk and inflation risk, investing in certain bonds may introduce credit risk and currency risk. Credit risk reflects the possibility that the payments due under the bond might not be made by the borrower. Currency risk will arise through investment in non-Sterling bonds, given the Plan's liabilities are denominated in Sterling, because changes in exchange rates will impact the relative value of the assets and liabilities.

Across all of the Plan's investments, the Trustee is aware of the potential for regulatory and political risks. Regulatory risk arises from investing in a market environment where the regulatory regime may change. This may be compounded by political risk in those environments subject to unstable regimes. This risk is managed by ensuring that the asset portfolios are diversified across a number of different countries and regions.

Liquidity risk refers to the ease with which assets are marketable and realisable. The Trustee recognises that there is liquidity risk in holding assets that are not readily marketable and realisable. The Trustee therefore manages this risk by ensuring that it invests only in pooled funds which deal either weekly or daily and are therefore generally realisable at short notice.

Concentration risk arises when a high proportion of the Plan's assets are invested in securities, whether debt or equity, of the same or related issuers. The overall investment arrangements are intended to provide an appropriate spread of assets by type and spread of individual securities within each asset class, to reduce this risk.

In addition, to the risks outlined above there are a number of risk concentrations regarding the investment in the leveraged gilt and index linked gilt funds within the LDI mandate, such as:

- Roll risk
- Counterparty risk
- Funding rate risk
- Default risk
- Basis risk

The Trustee will monitor these risks on a regular basis and will consider new risks that may emerge from time to time. In particular, the Trustee will review;

- The Plan's interest rate and inflation hedge ratios;
- The change in hedging assets and liabilities
- The collateral sufficiency within the Plan.

<u>Investment Strategy</u>

The Trustee has established a strategic benchmark allocation for the Plan. This is a high level asset distribution for the Plan's investments. The following table provides a summary of this:

Asset Class		Tolerance Range (%)
Growth	**10.0**	**+/- 2.0**
Diversified Fund	10.0	
Matching	**90.0**	**+/- 2.0**
LDI Portfolio	80.0	n/a
Corporate Bonds – All Stocks	10.0	+/- 2.0
Total	**100.0**	**-**

Note, totals may not sum due to rounding. LDI portfolio includes an allocation to cash

Further details on the specific funds utilised are included in the appendix.

4. DAY TO DAY MANAGEMENT OF THE ASSETS

4.1 Main Assets

Day-to-day management of the assets is delegated to a professional investment manager who is regulated by the Financial Conduct Authority (the "FCA").

The investment manager has full discretion to buy and sell investments within the pooled funds they operate on behalf of the Plan, subject to agreed constraints. The Appendix gives details of the manager, and their mandate.

The Trustee accepts that it is not possible to specify investment restrictions where assets are managed via pooled funds. Nevertheless, notwithstanding how the assets are managed, appropriate legal and investment advice is taken regarding the suitability of the investment management agreements and relevant investment vehicles.

The Trustee assesses the continuing suitability of the Plan's investment manager. The Investment Consultant provides help in monitoring the investment manager, both in the form of written reports and attendance at meetings. The manager's performance is measured quarterly.

4.2 Fee Structure

Details of the Plan's investment manager's fee scales are detailed in the appendix.

4.3 ESG, Stewardship and Climate Change

The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustee has taken into account the expected time horizon of the Plan when considering how to integrate these issue into the investment decision making process.

The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis and is documented periodically.

Investment Restrictions

The Trustee has not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

Member Views

The Trustee does not explicitly consult members when making investment decisions but would reflect upon any member views communicated to the Trustee. A copy of the Statement of Investment Principles is made available to members on request.

4.4 Engagement with the Investment Manager:

A Incentivising the asset manager to align its investment strategy and decisions with the Trustee policies:

In line with earlier sections of the SIP, investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for.

The Trustee looks to its investment consultant for their forward looking assessment of a manager’s ability to perform in line with their stated objectives. This view will be based on the consultant’s assessment of the manager’s idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Plan invests in. The consultant’s manager research ratings assist with due diligence and questioning managers during presentations to the Trustee and are used in decisions around selection, retention and realisation of manager appointments.

If the investment objective of a particular fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee’s wider investment objectives.

The Corporate Bond - All Stocks fund is actively managed whilst the Diversified Fund is passively managed, although active management may be used if Legal & General believe there is an advantage to do so and Legal & General are incentivised through performance targets (the appointment will be reviewed following periods of sustained underperformance). The Trustee will review the appropriateness of using actively managed funds (on an asset class basis) on an ad-hoc basis.

As the Trustee invests in pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

B Incentivising the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer, and to engage with issuers in order to improve their performance in the medium to long-term:

The Trustee will consider the investment consultant's assessment of how the investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the investment managers' policy on voting and engagement. The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments.

The Trustee meets with the investment managers at trustee meetings on an ad-hoc basis and may challenge decisions made including voting history (in respect of equities) and engagement activity.

The Trustee reviews a stewardship monitoring report, which includes details of voting and engagement activities of the investment manager. When required, the Trustee will also challenge the manager's decisions that appear out of line with the investment fund's objectives or the objectives/policies of the Plan.

The Investment manager is aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then they will look to replace the manager.

C Aligning the evaluation of the asset manager's performance and the remuneration for asset management services with the Trustee policies:

The Trustee receives investment manager performance reports on a quarterly basis, which present performance information over 3 months, 1 year, 3 years and since inception. The trustee reviews the absolute performance, relative performance against a suitable index used as the benchmark, and against the manager's stated target performance (over the relevant time period) on a net of fees basis. The Trustee focus is on long term performance but will put the manager 'on watch' if there are short term performance concerns.

If the manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustee may ask the manager to review the Annual Management Charge.

D Monitoring portfolio turnover costs incurred by the asset manager:

The Trustee receives MiFID II reporting from their investment manager.

The Trustee does not currently monitor portfolio turnover costs but are looking to do this as part of an annual governance review.

The Trustee will ask the investment manager to include portfolio turnover and turnover costs in their presentations and reports to the trustees.

The Trustee will engage with the manager if portfolio turnover is higher than expected. This is assessed by comparing portfolio turnover across the same asset class, on a year-for-year basis for the same manager fund, or relative to the manager's specified portfolio turnover range in the investment guidelines or prospectus.

E The duration of the arrangement with the asset manager:

The Trustee is a long term investor and is not looking to change the investment arrangements on a frequent basis.

The funds invested in are open-ended funds and therefore there is no set duration for the manager appointments. The Trustee will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;

- The manager appointment has been reviewed and the trustees have decided to terminate.

4.5 Monitoring the Investment Managers

Mercer is retained as the Trustee's investment consultant to assist the Trustee in fulfilling its responsibility for monitoring the investment manager.

5. COMPLIANCE WITH THIS STATEMENT

The Trustee will monitor compliance with this Statement annually. The investment manager has been supplied with a copy of this Statement and the Trustee undertakes to advise the investment manager promptly and in writing of any material change to this Statement.

6. REVIEW OF THIS STATEMENT

The Trustee will review this Statement in response to any material changes to any aspects of the Plan, its liabilities, finances and the attitude to risk of the Trustee and the sponsoring Company which it judges to have a bearing on the stated Investment Policy.

This review will occur annually. Any such review will again be based on written, expert investment advice and will be in consultation with the sponsoring Company.

For and on behalf of the Trustee of CIGNA 2000 UK Pension Plan
October 2022

Appendix – Current Investment Arrangements:

Legal & General has been appointed to manage the assets of the Scheme. The Plan invests in passive index tracking funds only, with the exception of the Active Corporate Bond All Stocks Fund and Diversified Fund, although this fund is passively managed unless Legal & General believe there is an advantage in doing so.

Asset Class	**Benchmark**
Diversified Fund	Composite Benchmark
2038 Gilt	2038 Single Stock Gilt
2042 Gilt	2042 Single Stock Gilt
2047 Gilt	2047 Single Stock Gilt
2049 Gilt	2049 Single Stock Gilt
2055 Gilt	2055 Single Stock Gilt
2060 Gilt	2060 Single Stock Gilt
2065 Gilt	2065 Single Stock Gilt
2071 Gilt	2071 Single Stock Gilt
2024 Index Linked Gilt	2024 Single Stock Index Linked Gilt
2030 Index Linked Gilt	2030 Single Stock Index Linked Gilt
2035 Index Linked Gilt	2045 Single Stock Index Linked Gilt
2040 Index Linked Gilt	2040 Single Stock Index Linked Gilt
2047 Index Linked Gilt	2047 Single Stock Index Linked Gilt
2050 Index Linked Gilt	2050 Single Stock Index Linked Gilt
2055 Index Linked Gilt	2055 Single Stock Index Linked Gilt
2058 Index Linked Gilt	2058 Single Stock Index Linked Gilt
2062 Index Linked Gilt	2062 Single Stock Index Linked Gilt
2068 Index Linked Gilt	2068 Single Stock Index Linked Gilt
2038 Leveraged Gilt	2038 Leveraged Gilts Index
2049 Leveraged Gilt	2049 Leveraged Gilts Index
2060 Leveraged Gilt	2060 Leveraged Gilts Index
2024 leveraged Index Linked Gilt	2024 leveraged Index Linked Gilts Index
2042 leveraged Index Linked Gilt	2042 leveraged Index Linked Gilts Index
2050 leveraged Index Linked Gilt	2050 leveraged Index Linked Gilts Index
2062 leveraged Index Linked Gilt	2062 leveraged Index Linked Gilts Index
Sterling Liquidity Fund	7 day LIBID
Corporate Bonds – All Stocks	iBoxx £ Non Gilt All Stocks Index

Total	Composite

Legal & General do not currently rebalance the funds to a specific strategic benchmark. The value invested in each of the funds will therefore drift in line with market movements.

Legal & General's performance target for the passive funds is to track the benchmark within the relevant tolerances in two years out of three.

The investment objective for the active corporate bond fund is to outperform its benchmark by 0.75% per annum (gross of fees), measured over rolling three year periods.

The investment objective for the Diversified Fund is to provide long-term investment growth through exposure to a diversified range of asset classes.

Fees

There is a flat charge of £1,500 per annum (This increases to £2,250 should the Plan's assets fall below £10m).

Fund	Fee Scale
Diversified Fund	0.300% p.a. on the first £25 million; 0.250% p.a. on the balance above £25 million
Leveraged Index Linked Gilt and Leveraged Gilt Funds	0.24% p.a. on the first £25 million; 0.17% p.a. on the balance above £25 million
Unlevered Index Linked Gilt and Unlevered Gilt Funds	0.1% p.a. on the first £5 million; 0.075% p.a. on the next £5 million; 0.05% p.a. on the next £20 million; 0.03% p.a. on the balance above £30 million
Sterling Liquidity Fund	0.125% p.a. on the first £5 million; 0.10% p.a. on the next £5 million; 0.075% p.a. on the next £20 million; 0.05% p.a. on the balance above £30 million
Corporate Bonds – All Stocks	0.2% p.a.