

The Humberclyde Finance Group Pension and Life Assurance Scheme

September 2025

STATEMENT OF INVESTMENT PRINCIPLES

1. Introduction

This document describes the investment policy of Capital Cranfield Pension Trustees Limited (the "Trustee") in its capacity as trustee of The Humberclyde Finance Group Pension and Life Assurance Scheme ("the Scheme").

The purpose of the Statement of Investment Principles (the "Statement") is to document the principles and policies governing decisions about the investment of the assets of the Scheme. This Statement sets out the Trustee's policy for complying with the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 and subsequent legislation. The Trustee, in preparing this Statement, has consulted BNP Paribas Leasing Solutions Limited, as Principal Employer of the Scheme (the "Company") and has received written advice from the Scheme's DB and AVC investment consultant, Aon Investments Limited ("Aon"), which is regulated by the Financial Conduct Authority.

The Scheme is governed by its Trust Deed & Rules which sets out the benefits and specifies the Trustee's investment powers. The investment powers do not conflict with this statement.

Aon has confirmed in writing to the Trustee that it is appropriately qualified to give the advice required by the Pensions Act 1995, the Occupational Pension Schemes (Investment) Regulations 2005 and any subsequent legislation.

The Scheme's investment policy falls into two parts. The investment strategy is the responsibility of the Trustee acting on expert advice and is driven by their investment objectives as set out in Section 2 below. The investment arrangements are reviewed on a quarterly basis to ensure they remain consistent with meeting the investment objectives. The day to day management of the assets is delegated to professional investment managers, selected and appointed by reference to the investment strategy, as set out in Section 3.

The Statement of Investment Principles applies to the Scheme as a whole. Investment points which are pertinent to AVC arrangements are located in the Appendix.

2. Investment Objectives and Risk

2.1 Investment Objectives

The Trustee's main priority is to invest the Scheme's assets in the best interests of the members and beneficiaries. Within this framework, the Trustee has agreed objectives to help guide the setting and managing of investment strategy. The Trustee's primary objectives are as follows:

- To ensure that they can meet their obligation to the beneficiaries of the Scheme.
- To reach and maintain a fully funded position on a suitably prudent valuation basis over the long-term.

2.2 Risk Management and Measurement

All pension schemes are exposed to some degree of risk. The main risks that the Trustee considered when setting the Scheme's investment arrangements were:

- The mismatch between the Scheme's assets and its liabilities.
- Interest rate risk and inflation risk, which are two of the largest investment risks that arise due to the nature of the liabilities. These risks are substantially reduced within the Scheme by the use of interest rate and inflation hedging.
- Longevity risk, which is also a risk arising due to the nature of the liabilities. The Trustee is cognisant of this risk but recognises that the market for solutions to directly hedge longevity risk is less well-developed and less accessible than for hedging interest rate or inflation risk.
- The volatility of any return-seeking assets, such as equities, held by the Scheme. The Trustee recognises that whilst holding return-seeking assets increases expected returns over the long-term, it increases short-term volatility in the Scheme's funding position.
- The risks that may arise from a lack of diversification of investments. Subject to managing the risk arising from the mismatch of assets and liabilities, the Trustee aims to ensure the assets are appropriately diversified.
- The safe custody of the Scheme's assets: custody of the Scheme's assets is delegated to professional custodians (via the use of pooled vehicles).
- The risk of a manager under-performing its benchmark.
- The possibility of failure of the Scheme's sponsoring employer ("covenant risk"). The Trustee and its advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received. The risk arising from environmental, social and governance (ESG) factors – sources of risk which could be financially material to the Scheme's investments, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, social issues such as health and safety in supply chains, modern slavery and data security, and unsound corporate governance.

The Trustee receives a manager monitoring report and investment performance report on a quarterly basis to help the monitor the continued suitability of the current investments.

Additional risks related to investment strategy include: currency risk (however, the Scheme is largely invested in Sterling denominated assets or GBP hedged assets), illiquidity risk (however, the Scheme is invested in liquid asset classes), and legal and operational risks (which the Scheme mitigates by taking appropriate advice when putting in place legal documents and appointing providers capable of carrying out the required operational tasks).

Where there is a material change in the Scheme's circumstances, the Trustee will review the Scheme's investment arrangements to check whether they remain appropriate, having regard to the various risks set out above if the Trustee considers that they remain relevant.

2.3 Investment Strategy

The Trustee monitors the Scheme's performance against its investment objectives on a quarterly basis with the help of its advisor. This is done by monitoring the funding and asset position of the Scheme on an ongoing basis.

The Trustee has set the investment strategy to meet its objective. The investment objective is to achieve 100% solvency funding, establishing a buffer above the Technical Provision Liabilities. The Trustee will consider the expected return on investments, with advice from the investment consultant, when selecting and monitoring its investment strategy.

To meet and maintain its funding objective, the Scheme invests in return-seeking assets that have expected returns which, together with any contributions, are expected to provide sufficient asset returns to meet the stated funding objective. When selecting and appointing investment managers, the Trustee and investment consultant consider the desire to maintain a diversified portfolio as a contributing factor. Further, the investment consultant regularly reviews the range of investments held by the respective investment managers to ensure they remain appropriately balanced in the circumstances of the Scheme and given the overall level of investment risk that is appropriate at the time.

To better align the interest rate and inflation sensitivities of the assets to those of the liabilities, the Scheme invests in Liability Driven Investment ("LDI") assets. These will include UK government bonds and may also include leveraged investments, for example, leveraged gilt exposure and interest rate and inflation swaps.

The Trustee will monitor the progress of the Scheme against its objectives and will consider, with advice from the investment consultant, adjusting the investment strategy where the Scheme is not on track to meet its objectives.

3. Day to Day Management of the Assets

3.1 Main Assets

The Trustee regards the strategic asset allocation as the decision which has the most influence on the likelihood that the Scheme will achieve its objectives. In setting the investment strategy, the Trustee takes ongoing advice from the investment consultant and makes its decisions in consultation with the Company.

3.2 Rebalancing Policy and Cash Flow

The Trustee will typically review the performance of the Scheme against its objective. Where the Scheme is off-track against these objectives, the Trustee may decide to change the asset allocation with the aim of putting the Scheme in a better position to meet its objectives.

Cash flow policy is determined on an ad hoc basis following advice from the investment consultant on expected cash flows and asset allocation. Overall Scheme liquidity requirements are monitored and reported to the Trustee on a quarterly basis to ensure that prudent levels of liquidity are maintained.

The administrator ensures that sufficient cash balances are available in the Trustee bank account.

3.3 Realisation of Investments

The Scheme's investment managers have discretion in the timing of realisation of investments (i.e. the sale of assets) within their individual mandates.

The Trustee may decide, with advice from the investment consultant, when to sell or reduce their holding in a specific investment manager mandate. For example, the purpose may be to move funds to a different asset class due to a change in investment strategy, or to invest with a different manager in the same asset class where the Trustee believes the existing manager is no longer appropriate for the Scheme, or to generate cash to pay member benefits.

3.4 Asset Manager Policy

Due to the cost benefits and ease of implementation, the Trustee only invests in pooled investment vehicles. The Trustee recognises that due to the collective nature of these investments, there is less scope to directly influence how the investment manager invests. However, the Scheme's investment consultant ensures the investment objectives and guidelines of the manager are consistent with those of the Trustee. In circumstances where investing in alternative mandate structures is thought to bring additional benefits, these are considered and advised on by the Scheme's investment consultant.

Where relevant, the Trustee requires its investment managers to invest with a medium to long-term time horizon, and to use any rights associated with the investment to drive better long-term outcomes. For some asset classes, the Trustee does not expect the respective investment managers to make decisions based on long-term performance. These may include investments that provide risk reduction through hedging, consistent with the Trustee's strategic asset allocation.

The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the manager is assessed over a medium to longer-term timeframe, subject to a minimum of three years. The Trustee would not expect to terminate a manager's appointment based purely on short-term performance. However, a manager's appointment could be terminated within a shorter timeframe than three years due to other factors, such as a significant change in business structure, the investment team, or a change in strategy.

Managers are paid a fee for a defined set of services, based on the size of the assets managed on behalf of the Scheme. The investment consultant assists the Trustee in reviewing fees periodically to confirm they are in line with market practice.

The external investment managers provide a written performance report each quarter to the Trustee through the investment consultant. The investment consultant will produce a manager report for the Trustee based on this information. The Trustee will meet the managers on an ad hoc basis to review the managers' actions and investment performance. The investment consultant will assist the Trustee in fulfilling their responsibility for monitoring the investment managers. The Trustee's policy towards monitoring non-financial performance is set out in Section 5.1: Environmental, Social and Governance Factors Policy.

The Trustee reviews the portfolio transaction costs and portfolio turnover range (i.e. the proportion of acquisitions / disposals made by each manager as a proportion of the total holding over a given period) of managers periodically where the data is disclosed and available. The Trustee will then

determine whether the costs incurred were within reasonable expectations, with assistance from the investment consultant.

4. Employer-related investments

It is possible that pooled investment vehicles in which the Scheme has invested may, in turn, invest in the shares of a company in the BNP Paribas Group or in another employer-related investment as a result of a decision taken by the pooled investment vehicle provider in question. The Trustee does not expect any such investment, even if it were to occur, to be material in relation to the Scheme and in any event the Trustee does not expect it to cause the Scheme to cease to comply with the restriction on employer-related investments under Section 40 of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005.

The Trustee includes the details of any employer-related investments in the annual report and accounts for the Scheme.

5. Responsible Investment

5.1 Environmental, Social and Governance Factors

The Trustee incorporates all financially material considerations into decisions on the selection, retention and realisation of investments through strategic asset allocation decisions and the appointment of investment managers, so far as possible.

The Trustee believes that environmental, social and governance factors (including but not limited to climate risk) will be financially material over the time horizon of the Scheme but will have varying levels of importance for different types of assets invested by the Scheme.

The Trustee may consider non-financial factors (such as ethical or moral beliefs) in its investment decision-making, but only to the extent that these do not have a negative financial impact.

The Trustee also recognises the wider impacts the Scheme's investments may have on the environment and society, and that this may be of interest to Scheme beneficiaries. The Trustee endeavours to monitor exposure to these areas (e.g. the impact of investments on the society and environment, and adherence to international human rights principles) and ensure they are considered and accounted for where appropriate and consistent with the Scheme's overall objective.

The Trustee appoints investment managers that consider these factors on the Scheme's behalf.

The Trustee considers ESG risks by taking advice from their investment consultant when setting the Scheme's investments, when selecting managers and when monitoring their performance. As part of the ongoing monitoring of the Scheme's investment managers, the Trustee carries out an in-depth annual ESG review of the sustainability profile of each fund invested in by the Scheme, and an annual review of the stewardship activities carried out by the Scheme's investment managers.

To supplement this, the Trustee will also use ESG rating information provided by the investment consultant, where relevant and available, to monitor the level of ESG integration by the Scheme's investment managers on a quarterly basis.

5.2 Stewardship and Engagement

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately creates long-term financial value for the Scheme and its members.

Direct engagement with underlying companies (as well as other relevant persons), of which the Trustee owns equity or debt, is carried out by the Scheme's investment managers. The Trustee accepts responsibility for how managers steward assets on its behalf, including the casting of votes in line with each manager's individual voting policies.

This includes monitoring and engaging with issuers of debt or equity on financially material issues concerning strategy, capital structure, management of actual or potential conflicts of interest, risks, environmental impact, social considerations and corporate governance. Where relevant, the Trustee expects its managers to use voting rights to effect the best possible sustainable long-term outcomes in line with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustee has adopted climate change as a stewardship priority for the Scheme. This is because the Trustee believes that climate change has the potential to negatively impact the value of investments held if not understood and evaluated properly. Therefore, it is in the best interests of the Scheme's beneficiaries for climate change issues and risks to be properly understood, and where possible, mitigated by the Scheme's appointed investment managers through their stewardship activity.

The Trustee expects all its investment managers to implement current best practice in relation to good stewardship, such as adhering to the UK Stewardship Code. When selecting new managers, the Trustee's investment consultant assesses the ability of each investment manager to engage with underlying companies in order to promote the long-term success of the investments. When monitoring, de-selecting and appointing new managers, engagement is factored into the decision-making process to the appropriate level for the specific asset class in question.

Although the Trustee chooses managers that align with its beliefs on stewardship, given the Scheme only invests in pooled funds, due to the collective nature of these investments, the Trustee has less direct influence over the managers' policies on the exercise of investment rights.

The Trustee requires its investment consultant to monitor and report on the voting behaviour carried out on its behalf. Should the monitoring process reveal that an investment manager's voting and engagement policies and actions are not aligned with the Trustee's expectations, the Trustee (with the support of its investment consultant) will engage with the manager via different medium, such as emails, calls and meeting, to seek a more sustainable position, but may also look to replace the manager.

The Trustee requires its investment consultant to report periodically on how its investment managers have acted with respect to the Trustee's policy on stewardship and engagement. The Trustee will disclose any highlights as part of this review annually in its implementation statement and the investment manager's performance in these respects will be considered as part of the Trustee's wider assessment of the ongoing suitability of each investment manager.

6. Fees

6.1 Investment Management Fees

The Trustee has policy documents with the Scheme's investment managers which set out the terms and conditions by and under which the Scheme's assets will be managed, including the fee structure.

As the Trustee invests in pooled fund arrangements, they are unable to calculate the trading costs incurred specifically by the Scheme.

6.2 Investment consultant's Fees

The fees for the investment consultant are largely based on a fixed scope of work but may also be based on fixed scopes of work for individual tasks or on a time-cost basis. The Trustee will formally assess the investment consultant against pre-agreed objectives on an annual basis.

7. Compliance and Review of Statement

The Trustee, the investment managers and the investment consultant each have duties to perform to ensure compliance with the Statement. These are:

- In line with the Occupational Pension Schemes (Investment) Regulations 2005, the Trustee will review the Statement at least every three years and without delay after a significant change in investment policy.
- The Trustee will review this Statement based on the written expert advice, to be provided by the investment consultant, and will record compliance with it at a Trustee meeting.
- The Trustee will review this Statement where there is a material change to any aspect of the Scheme which they judge to have a bearing on the stated investment policy.
- The Trustee will consult the Company on any changes to the Statement.
- The investment managers will each prepare a written quarterly report for the Trustee which will be provided through the investment consultant.