Quadron Services Limited Pension and Life Assurance Scheme
Statement of Investment Principles

Introduction

The Trustee of the Quadron Services Limited Pension and Life Assurance Scheme ("the Scheme") is required by Section 35 of the Pensions Act 1995 ("the Act") to create a statement outlining their principles for investment decisions ("the Statement"). This document fulfils that requirement.

In preparing the Statement, the Trustee has obtained advice from Hughes Price Walker whom we believe to be suitably qualified and experienced to provide such advice. The Trustee will obtain such advice, as they consider appropriate and necessary, whenever they intend to review or revise the Statement.

In preparing the Statement, the Trustee has consulted the principal employer of the Scheme, idverde UK Limited ("the Employer"), and will do so whenever the Trustee intends to revise the Statement. Responsibility for maintaining the Statement and making investment decisions lies with the Trustee.

The Trustee will review the Statement at least every three years and after any significant change in investment policy.

This Statement replaces the previous statement of investment principles dated May 2023.

Investment Governance Structure

The Trustee has overall responsibility for investment decisions for the Scheme. The Trustee sets the funding objectives and decides on the investment portfolio, after taking the necessary advice.

To help with day-to-day management of the Scheme's assets, the Trustee has appointed investment managers.

Investment Beliefs

The Trustee believes the following about investment markets:

(a) Achieving investment returns involves taking some risk, and higher returns usually require higher risk.

(b) Diversifying investments across different asset classes, countries and fund managers can help reduce specific risks and reduce funding volatility.

(c) Any risks that are not sufficiently rewarded should be reduced, hedged or avoided.

(d) Investment markets are not always efficient (i.e. market prices don't always reflect all known information) and so there are opportunities to earn higher returns if these are exploited.

(e) However, it is often difficult to find investment managers who consistently exploit these opportunities at a low cost.

(f) Environmental, social and governance (ESG) opportunities and risks (such as climate change risk) can have substantial impacts and should therefore be considered when deriving an investment portfolio.

Investment Objectives

Defined benefit (DB) section

The investment objectives for the DB section of the Scheme are:

(a) The acquisition of suitable assets which will generate income and capital growth to meet, together with contributions from the Employer, the cost of benefits which the Scheme provides as set out in the Trust Deed and Rules;

(b) So far as reasonably possible, to avoid the risk of the assets failing to meet the liabilities on an ongoing basis; and

(c) To minimise the long-term costs of the Scheme by maximising the return on the assets so far as is both prudent and consistent with the above objectives.

Defined contribution (DC) section

The investment objectives for the DC section of the Scheme are:

(a) To provide a default investment strategy that is suitable for meeting members', and their beneficiaries', investment objectives;

(b) To avoid unnecessary risk; and

(c) To minimise the costs and charges of the underlying funds where possible.

Strategic Asset Allocation

DB Section

The Trustee has agreed to allocate the Scheme's DB assets in the following proportions:

Asset Class	Allocation
World Equity	20.5%
Multi-Asset and Diversified Growth	49.0%
Absolute Return Bond	12.0%
Fixed Short & Long Liability Driven Investments	4.0%
Real Short & Long Liability Driven Investments	14.5%

The Trustee aims to achieve a 90% inflation risk hedge and 90% interest rate hedge on the Scheme's liabilities through investment in Liability Driven Investment ("LDI") funds. Consequently, in order to achieve the desired hedge, the final asset allocations may need adjustment.

After investing in the LDI funds, the remaining asset classes will be invested with a target ratio of: 20.5 : 49 : 12.

The Trustee believes that the assets are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

The Trustee considers that the distribution of the funds represent a suitable asset allocation benchmark for the Scheme. The Trustee also considers that this policy represents investments in suitable assets, is appropriately diversified, and provides a reasonable expectation of meeting the above objectives.

It is a policy of the Trustee that the maximum level of expected return should be targeted for a given level of risk that is appropriate for the Scheme. The strategic asset allocation given above adheres to this policy and will be kept under regular review.

DC Section

The default investment strategy for the DC section of the Scheme is to invest the members' money purchase funds in proportion to the asset allocation of the DB section.

Risk Management

DB Section

The Trustee recognises and monitors a number of risks associated with the Scheme's investments in the DB section:

- *Solvency risk and mismatching risk:*
    - This is addressed through the underlying asset allocation, mitigated by the use of LDI funds and monitored through ongoing triennial actuarial valuations.
- *Manager risk:*
    - This is addressed through the performance objectives and the ongoing monitoring of the investment managers and is enhanced by the diversification effect of using multiple managers.
- *Liquidity risk:*
    - The Scheme's administrators monitor the level of cash held in order to limit the impact of cash flow requirements on the investment policy.
- *Sponsor risk:*
    - This is measured by the level of ability and willingness of the Principal Employer to support the continuation of the Scheme and to make good any current or future deficit.

- *Third party risk:*
  - The chosen funds invest in underlying assets. If the underlying investments suspend trading, the investment managers may defer trading and / or payment to investors. Therefore, the value ultimately payable will depend on the amount the investment manager receives or expects to receive from the underlying investments.
- *Interest rate risk:*
  - Changes to interest rates could affect the value of bond investments. Where long term interest rates rise, the value of bonds is likely to fall, and vice versa.
- *Risk from lack of diversification:*
  - This is mitigated by the Trustee investing in pooled funds with a diversified asset allocation.
- *Currency risk*:
  - This is measured by the level of overseas investment and the translation effect of currencies leading to the risk of an adverse influence on investment values.
- *Credit risk*:
  - This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Scheme is subject to credit risk because it invests in bonds or other types of debt via pooled funds. The Trustee manages their exposure to credit risk by only investing in pooled funds that have a diversified exposure to different credit issuers.
- *Political risk:*
  - This is measured by the level of concentration in any one market leading to the risk of an adverse influence on investment values arising from political intervention.
  - It is managed by regular reviews of the actual investments relative to policy and through assessment of the levels of diversification within the existing policy.
- *ESG risk:*
  - This is the risk that ESG factors will adversely impact the value of the Scheme's investments and is monitored by regular updates on investment managers' actions regarding ESG matters.

DC Section

The Trustee recognises and monitors a number of risks associated with the Scheme's investments in the DC section. Risks that differ to the ones above for the DB section are as follows:

- *Return risk:*
  - The risk that investment returns will in general not achieve expectations. The Trustee aims to mitigate return risk by investing in a well-diversified portfolio that balances growth opportunities with risk management.
- *Volatility risk:*
  - The risk that members' funds experience high levels of volatility at retirement.
- *Annuity pricing risk:*
  - The risk that annuity prices are high at retirement, or earlier, when members may wish to purchase annuities or annuity-like products.

The Trustee recognises these different types of risk and seek to minimise them as far as possible by regularly monitoring investment performance, reviewing manager policies and reviewing the ongoing appropriateness of the investment strategies.

Realisation of investments

The Trustee's policy is to hold investments that are sufficiently liquid so as to ensure that all benefit payments and other outgoings can be paid on time. The Trustee acknowledges that not every single investment needs to be highly liquid, so long as the portfolio as a whole has a sufficient level of liquidity. The liquidity of the Scheme's investments shall be reviewed regularly.

Expected Return on Investments

The investment strategy was developed by considering the Trustee's appetite for risk, in consultation with the Employer. The investment strategy was chosen to achieve a required return over gilts, based on the expected return on asset classes, within the appetite for risk as measured by the likely range of potential outcomes. In the Trustee's opinion, the chosen strategy offers an acceptable trade-off between risk and return.

Over the long-term, it is expected that the Scheme's investment returns will exceed the return required to fund the Scheme's Technical Provisions.

Investment Management Monitoring

The Trustee will receive performance reports from the investment managers. The Trustee will also receive quarterly investment reports from Hughes Price Walker Limited which include performance figures, insight behind the performance, the personnel and information on risk. Through this process of regular reporting and review, the Trustee aims to ensure that the investment managers are performing competently and in compliance with this statement.

Financially Material Considerations

The Trustee's overarching responsibility is to deliver financially sustainable returns for an acceptable level of risk to meet the future pension benefits of the members and in a way that Employer contributions paid into the Scheme are as stable and affordable as possible.

The Trustee has a duty to act in the financial interests of the Scheme's beneficiaries as a long-term investor. This includes considering ESG risks and opportunities that may be financially material to the Scheme.

The Trustee invests in pooled funds and the underlying assets are subject to the investment manager's own policies on ESG considerations, including climate change. The Trustee undertakes due diligence when appointing investment managers and review each of those managers' policies on ESG considerations. The Trustee appreciates that those investment managers which integrate ESG considerations can help mitigate risks and have the potential to lead to better, long-term financial outcomes.

The appointed investment managers have opted to sign the United Nations-supported Principles for Responsible Investment ("PRI"). As signatories to the PRI, the investment managers have made the following commitments:

> As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).
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> We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:
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> Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
>
> Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
>
> Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Principle 6: We will each report on our activities and progress towards implementing the Principles.

The investment managers' reports related to PRI and their statements on compliance with the Financial Reporting Council (FRC) Stewardship Code, which is seen as the UK standard for good stewardship, are reviewed by the Trustee at least once every three years.

Exercise of rights

As the Trustee invests in pooled funds, the underlying investment managers make decisions related to:

- the exercise of any rights, including voting rights, attached to the investments; and
- engagement activities in respect of the investments.

Members' views and non-financial factors

In setting and implementing the investment strategy the Trustee does not explicitly take into account the views of members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

Arrangements with the investment managers

The Trustee has appointed their investment managers' funds to each mandate within the Trustee's agreed asset allocation. The Trustee only invests in pooled investment vehicles. Therefore, the Trustee is not able to specify the risk profile and return targets of the manager. However, after considering appropriate investment advice, pooled funds with appropriate expected return and risk characteristics are chosen for each asset class to align with the overall investment strategy.

The underlying investment managers are responsible for all decisions to select and remove individual investments within the portfolios they manage.

In the case of multi-asset funds, the underlying investment managers are responsible for the allocation to separate asset classes.

The Trustee acts as a long-term investor and does not look to change the investment arrangements on a frequent basis. The Trustee does not have any fixed-term agreement with any investment manager.

The underlying investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the respective asset class. As long-term investors, the Trustee's focus is on long term performance. The underlying investment managers are remunerated by charges based on the value of the assets that they manage on behalf of the Scheme. This is the primary means of incentivising managers as, if the funds are not performing as required, they may be replaced.

The Trustee therefore considers that the method of remunerating the underling investment managers, combined with their own long-term attitude towards performance, incentivises them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. This encourages the underlying investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

Portfolio turnover costs

Portfolio turnover costs means the costs incurred by the buying, selling, lending or borrowing of investments.

The Scheme invests in a range of pooled funds, many of which invest in a wide range of asset classes. As a result, the Trustee does not currently have a target for portfolio costs and neither do they monitor portfolio turnover costs in the funds.

Additional Voluntary Contribution arrangements

The Scheme has provided a facility for members to pay additional voluntary contributions (AVCs) to enhance their benefits at retirement. The Trustee's objective was to provide vehicles that enabled members to generate suitable long-term returns, consistent with their reasonable expectations.

In the past AVCs were paid to Prudential Assurance Company Limited (Prudential) to enhance benefits at retirement. The Trustee selected these vehicles as they were believed to meet their objective of providing investment options that enabled AVC members to generate suitable long-term returns.

The Trustee keeps the suitability and performance of these investments under review.

This statement has been agreed by the Trustee of the Quadron Services Limited Pension and Life Assurance Scheme

December 2024