Lloyds Register Superannuation Fund Association

Statement of Investment Principles ("SIP")

[Adopted with effect from: March 2023]

Purpose of this Statement

This SIP has been prepared by the Lloyds Register Superannuation Trustees Limited ("The Trustee") as Trustee of the Lloyds Register Superannuation Fund Association (the "Fund"). The Fund has both a Defined Benefit ("DB") Section and a Defined Contribution ("DC") Section. This statement sets out the principles governing the Trustee's decisions to invest the assets of the Fund.

Details on the Fund's DB and DC Section investment arrangements are set out in the respective sections of this document below. Specific details of the underlying arrangements are included within Appendix A and B respectively.

Governance

1) In the DB Section the Trustee sets the overall asset allocation. This will be reviewed as part of the Fund's actuarial valuation process, and also in the interim if appropriate.
2) In the DC Section the Trustee makes a range of pooled funds and lifestyle strategies available to Members.
3) When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee's Investment Consultant, Isio Group Limited/Isio Services Limited, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience. The Investment Consultant's remuneration may be a fixed fee or based on time worked, as negotiated by the Trustee in the interests of obtaining best value for the Fund.
4) No change will be made without first consulting the Sponsor, Lloyds Register Group Limited, and considering the written advice from the Investment Consultant. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.
5) The Trustee has also taken the Myners' Principles into consideration when making decisions about the Fund's investment arrangements.
6) The Trustee has set up an Investment Committee, which is governed by an agreed Terms of Reference, in order to provide appropriate focus to the DB and DC Section investment arrangements. Day-to-day investment decisions are delegated to the investment managers subject to defined tolerances relative to their respective mandates.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

Investment Management Arrangements

The Trustee has appointed several investment managers to manage the assets of the Fund as listed in the SIP. The investment managers are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the investment managers via a written agreement. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustee takes investment managers' policies into account when selecting and monitoring managers. The Trustee also takes into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise powers of investment delegated to them, with a view to following the principles contained within this statement, so far as is reasonably practicable.

Within the DB Section, the Trustee has appointed a custodian to operate alongside the investment managers in place. The custodian provides safekeeping for the assets, and performs all associated administrative duties such as the collection of dividends.

Investment Manager Monitoring and Engagement

The Trustee monitors and engages with the Fund's investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustee seeks to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy and Risk	• The Trustee receives a quarterly performance report which details information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant IC meeting. • The Fund's investment managers are invited, in person, to present to the Trustee on their performance, strategy and risk exposures.	• There are significant changes made to the investment strategy. • The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustee's expectations. • Underperformance vs the performance objective over the period that this objective applies.

Environmental, Social, Corporate Governance factors and the exercising of rights	• The Trustee's investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues. • The Trustee receives information from their investment advisers on the investment managers' approaches to engagement. • The Trustee will engage, via their investment adviser, with investment managers and/or other relevant persons about relevant matters (including the Fund's stewardship priorities) at least annually.	• The manager has not acted in accordance with their policies and frameworks (including stewardship priorities). • The manager's policies are not in line with the Trustee's policies in this area.

The Environmental, Social and Governance Policy can be found in Appendix E.

Through the engagement described above, the Trustee will work with the investment managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustee will review the relevant investment manager's appointment and will consider terminating the arrangement.

Employer-related investments

The policy of the Trustee is not to hold any direct employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005. This includes investment in any subsidiary of the Sponsor or in property leased to or owned by the Sponsor or its subsidiaries. The Trustee monitors this on an ongoing basis to ensure compliance.

Direct investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustee will obtain appropriate written advice from their Investment Consultant.

Defined Benefit Section

Long-term journey plan

As part of the 2019 Actuarial Valuation Report, the Trustee and Sponsor agreed a long-term objective for the DB Section to achieve full funding on a Gilts + 0.5% basis by 2029, this objective was achieved in 2021. The investment strategy has therefore been designed to be consistent with a discount rate of Gilts + 0.5%. The current expected return target of the DB Section assets is Gilts + 1.0% p.a. subject to a target level of risk of £100m or less as measured by the 95% 1 year Value at Risk (“VaR”).

The investment strategy was derived following careful consideration of the nature and duration of the Fund’s liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of contributions required, and also the strength of the Sponsor’s covenant. The Trustee considered the merits of a range of asset classes, including various “alternative assets”. A detailed breakdown of this asset allocation and manager fees is provided in Appendix A.

The Trustee reviews the funding level position at least quarterly in line with regular performance reporting. If the funding level is determined to be sufficiently different to what is expected from the above journey plan, the Trustee and Sponsor will decide whether the current expected return target remains suitable and make adjustments to the asset allocation accordingly.

The current long-term journey plan implies de-risking to the ultimate objective of Gilts + 0.5% by 2029. There is an expectation the current expected return (and therefore risk) will decrease gradually over time. This is however subject to market movements and the funding level relative to the expected journey plan.

DB Section risk management

The Trustee recognises that the investment strategy is subject to risk, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities.

Risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long-term, and also by investing in a suitably diversified portfolio of assets. The Fund has a particular focus on credit assets which provide greater certainty about the expected risk and return due to their contractual nature. The Trustee also has a mandate in Liability Driven Investment (“LDI”) with the aim of minimising (as far as possible) volatility of the funding level relative to the liabilities. Details on the target liability hedging levels are provided in Appendix A.

A detailed list of the risks considered is provided in Appendix C.

Manager structure

The Trustee employs a range of specialist investment managers and uses a range of pooled funds with specialist investment objectives. Two of the Fund's mandates are managed via a segregated arrangement. The assets of the Fund consist predominantly of investments which are traded on regulated markets.

Defined Contribution Section

Personal Account

Each Member of the DC Section has an individual Personal Account deriving from the accumulated contributions from the Member and the Sponsor. The Personal Account is used at retirement or earlier death to provide benefits whereby the member can drawdown an income, purchase an annuity and/or provide lump sum benefits to the Member or appropriate Dependants.

The funds within this Section are also available to DB Section members who wish to pay Additional Voluntary Contributions ("AVCs") to enhance their benefits.

Information for Members

Detailed information on the full available range supported by the provider is made available on the website of the provider.

Investment objectives

The key investment objective is to facilitate the accumulation of each Member's individual Personal Account in a portfolio of secure assets of appropriate liquidity via unitised funds selected by the Member.

The Trustee wishes to give each Member a reasonable degree of freedom over the choice of investment funds for the accumulation of their Personal Account and, having taken appropriate advice, has made a range of unitised investment funds available.

On 6th April 2015, the UK government introduced new 'pensions flexibility' rules allowing members to access their pension pots in a number of different ways. Following the new regulations, the Trustee revised the default lifestyle strategy to better reflect the new flexibilities available to members at retirement. Further detailed reviews are undertaken triennially, with lighter touch reviews occurring annually or as required. Details of the default lifestyle strategy are shown in Appendix B.

The Fund provides investment options sourced through an insurance policy with Standard Life, the platform the Fund uses and through which a number of different investment managers and funds can be accessed. The range of investment options is reviewed by the Trustee periodically to ensure their continued suitability.

To assist the Members with more focussed decision-making, the Trustee, having taken advice from its DC Investment Consultant, offers a wider range of self-select funds which are expected to match the risk/reward profile of the majority of members. This range is reviewed as and when appropriate by the Trustee. The list of funds available to members is shown in Appendix B.

Although the Trustee wishes to give Members a degree of freedom to make their own investment decisions, it also believes that it is appropriate to provide a default investment strategy to members who do not wish to make their own choices about investment of their pension assets. The Trustee has taken advice on the appropriate funds to form the default strategy and has established a lifestyle strategy as the default option, which initially targets growth of assets in the early years in the Fund and switches to target wealth preservation in the years approaching retirement. In addition, three other lifestyle structures (5 year, 10 year and 15 year, each targeting annuity purchase and 25% tax free cash) are also offered to existing members who were invested in these strategies prior to 2016 should they wish to continue to target the purchase of an annuity at retirement.

Benchmarks and performance targets are set for each fund component of the lifestyle strategy. The overall investment objective for the lifestyle strategy is to produce a long-term return in excess of salary inflation. The Trustee will review the default strategy on a regular basis. Details of the default and wider fund range are shown in Appendix B.

Performance measurement

A set of measurable performance objectives has been developed for the unitised funds. A report on fund performance is prepared on a quarterly basis by the Investment Consultant and considered by the Investment Committee. Performance for each fund is compared with a suitable benchmark and an out-performance objective. The managers (particularly those with an active mandate) are expected to demonstrate skill in the management of their portfolios consistent with the performance objectives, given the levels of risks adopted.

DC Section risk management

The Trustee considers the following DC specific investment risks:

- **Inflation risk** - The risk that the investment return over members' working lives does not keep pace with inflation;
- **Conversion risk** - The risk that relative market movements in the years just prior to retirement lead to a substantial reduction in the member's pension pot, to be converted into a fixed or flexible income stream;
- **Opportunity cost risk -** The risk that members end up with insufficient funds at retirement with which to secure a reasonable income through not having taken enough risk whilst the opportunity was available;
- **Manager risk** - The risk that the chosen investment manager underperforms the benchmark against which the investment manager is assessed; and
- **Capital risk -** The risk of a fall in the value of the Member's fund.

The investments offered through the DC Section have been chosen, in part, to help members mitigate these risks through appropriate fund selection. A detailed list of the risks considered is provided in Appendix C.

Realisation of investments

The assets of each Member's Personal Account are held in unitised investment funds that can be realised to provide pension benefits on retirement, or earlier if required.

Rate of contribution

The assets that will ultimately accumulate in each Member's Personal Account depend critically on the rate of contribution that each Member decides to pay. The Trustee draws this fact to the attention of the Members in the communications material issued to them.

Fund charges

Each Member will pay fund charges directly within the fund in which they choose to invest. The level of fund charges a Member pays will depend on the specific funds in which they invest. The Trustee ensures that the charges are competitive, and makes Members aware of them in the DC Section investment guide.

Legacy AVC arrangements

Some members have legacy AVC arrangements with Standard Life and Equitable Life. The Trustee monitors these on a regular basis.

For and on behalf of Lloyds Register Superannuation Trustees Ltd as Trustee of the Lloyds Register Superannuation Fund Association.

Signed: …[redacted]. Name (Print): ….[redacted]….

Date: ……[redacted]……...

For and on behalf of Lloyds Register Group Limited.

Signed: …[redacted]……. Name (Print): …...…[redacted].

Date: ……[redacted]...

Appendix A: Defined Benefit Section

Investment strategy

The Fund's current investment strategy is invested according to the following broad asset allocation:

Asset Class	Sub-Asset Class	Target Allocation	Control Ranges	Expected Return (relative to fixed interest gilts) (1)
Credit	Buy and maintain corporate bonds	30%	26%-34%	1.2%
	Direct lending	16%	n/a	4.2%
Liability hedging	Liability Driven Investment ("LDI")	54%	50%-67%	0%
Cash		-	0% - 5%	n/a
Total		**100%**		

(1) Expressed relative to the yield on fixed interest gilts (the annual yield at the 10-year tenor on the Bank of England spot curve). This yield was 3.8% at 31 December 2022. Net of management fees.

(2) 16% allocation as at 31 December 2022, this will reduce over time as the funds pay out. Due to be paid out in full by 2025.

The expected returns shown in the above table represent long-term expectations of asset classes as a whole. In some cases this may differ from the appointed investment manager's target performance objective. The Trustee is comfortable that the asset allocation sufficiently meets the expected return target for the Fund and has received advice from the Investment Consultant supporting this allocation.

Short-term returns in some asset classes may exhibit considerable variability.

Investment structure and mandates

The Trustee has invested in pooled funds and segregated accounts managed by the following investment managers. All the investment managers are regulated under the Financial Services and Markets Act 2000.

Fund	Sub-Asset Class	Active / Passive	Target Allocation
Legal & General Investment Management ("LGIM")	Buy and maintain corporate bonds	Partially active (buy and maintain)	30%
Alcentra Limited	Direct lending	Active	16%
Partners Group AG	Direct lending	Active	
Schroders	LDI	Passive	54%

(1) Most of the Fund's current mandates are invested via pooled funds. The only exceptions are Schroders LDI and LGIM buy and maintain corporate bonds which are segregated mandates and the direct lending funds which are limited partnerships.
(2) The DB Section has committed £103 million of capital to the Alcentra Fund, £66m of capital to the Partners Group 2015 Fund and £100m to the Partners Group 2018 Fund.
(3) The Alcentra Fund's investment period ended on 30 September 2019. From this date, Alcentra no longer recycles capital into new investments, however they may still call capital for top-up investments into existing holdings or to cover obligations to currency hedging and other obligations.
(4) Target allocation reflects asset allocations as at 31 December 2022. These will evolve over time as the Direct Lending pays out.

Mandate target returns, objectives and fees

The Trustee ensures the underlying manager fees are competitive.

Fund	Benchmark	Objective	Fees (% p.a.)
Alcentra Clareant European Direct Lending Fund II (Unlevered)	n/a	To achieve an average Internal Rate of Return ("IRR") of 8% - 10% (net of fees)	Base: 0.90% Performance: 10% subject to return hurdle of 5% p.a.
Partners Group Private Market Strategies S.A. - Compartment 2015 (VI) Fund	3 Month UK GBP LIBOR	To outperform the benchmark by 4% - 6% (net of fees) over the Fund lifetime	Base: 0.80% Performance: 8% subject to return hurdle of 4% p.a.
Partners Group Private Market Strategies 2018 (GBP) S.C.A., SICAV-RAIF Fund	3 Month UK GBP LIBOR	To outperform the benchmark by 4% - 6% (net of fees) over the Fund lifetime	Base: 0.80% Performance: 8% subject to return hurdle of 4% p.a.

LDI and buy and maintain corporate bonds mandate objective and fees

Mandate	Benchmark	Target interest rate and inflation hedge	Fees (% p.a.)
LGIM buy and maintain corporate bonds mandate	N/A	Seek to capture the return received from taking credit risk and liquidity risk.	0.12% on the first £150m; 0.11% on assets over £150m
Schroders – segregated LDI mandate	To track the Liability Hedge Benchmark	100% of the interest rate and inflation exposure borne from the Fund's Gilts + 0.5% valued liabilities	0.035% of Liability Hedge Benchmark

The Liability Hedge Benchmark is defined as the movement in the hedged part of the Fund's liabilities valued on a Technical Provisions basis. Schroders will adjust the Hedge Benchmark to take into account the sensitivities of the buy and maintain corporate bonds mandate.

The Trustee and Sponsor reviews the target interest rate and inflation hedging levels as part of regular quarterly reporting and in respect of the long-term journey plan.

Schroders review the hedging annually to determine whether the solution is accurately tracking the movement in the hedged portion of the Fund's liabilities.

Appendix B: Defined Contribution Section

Investment Options

The Trustee currently makes available a range of funds to members. All of these funds are currently set up as "white-labelled" funds. This means that changes can be made to the underlying funds underneath the "white-label" whilst the overall fund that a member is invested in remains the same. The first table below sets out the range of "white-labelled" funds that are a combination of more than one underlying fund. The second table below sets out the range of funds that only have one underlying fund within the white-label. The Fund Charge quoted represents the latest available fees as at the date the SIP was agreed.

Blended white label fund range

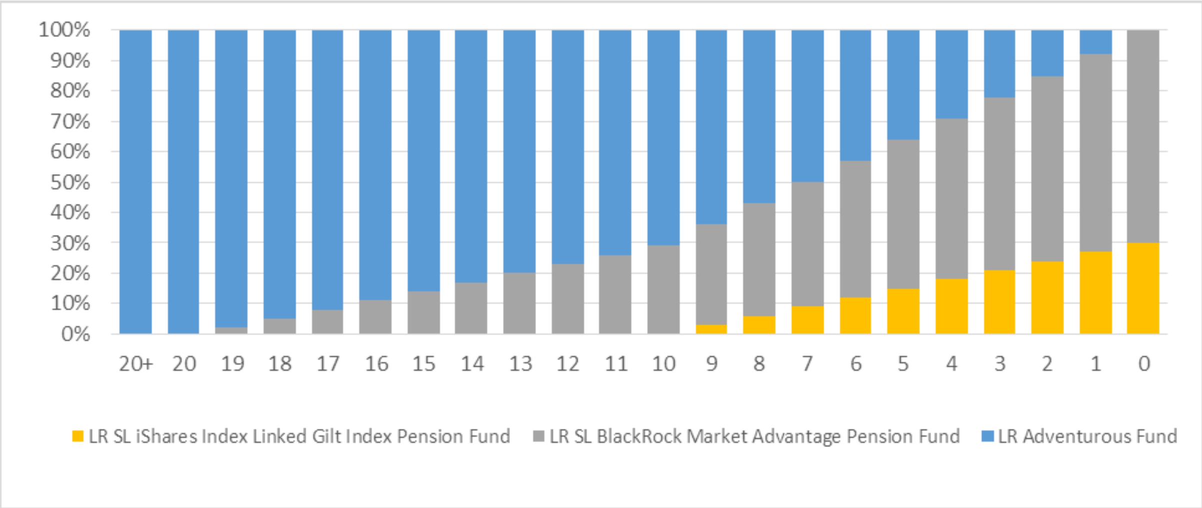
	DGF	Global Equity (passive)	Overseas Equity (passive)	UK Equity (passive)	Corporate Bonds (active)	Index-linked Gilts (passive)	Emerging Market Equity (passive)	Cash	TER (p.a.)
LR Adventurous Fund	30%	63%	-	-	-	-	7%	-	0.33%
LR Moderate Fund	30%	-	18%	9%	20%	20%	3%	-	0.31%
LR Fixed Income Fund	-	-	-	-	50%	50%	-	-	0.21%
LR Global Equity Passive	-	-	60%	30%	-	-	10%	-	0.24%

Single fund white label fund range

White Label Name	Underlying Fund	Benchmark	Fund Charge (% p.a.)
LR Emerging Markets Equity Fund	SL iShares Emerging Markets Equity Index Pension Fund	FTSE Emerging Total Return (net) GBP index	0.38%
LR SL iShares UK Equity Index Pension Fund	SL iShares UK Equity Index Pension Fund	FTSE All-Share Total Return (net) GBP index	0.22%
LR Diversified Growth	SL BlackRock Market Advantage Pension Fund	3 Month GBP LIBOR + 3.5% p.a.	0.51%
LR Standard Life Long Corporate Bond Pension Fund	Standard Life Long Corporate Bond Pension Fund	Markit iBoxx GBP Non-Gilt 10+ Year Total Return GBP index	0.22%
LR SL iShares Over 15 Year Gilt Index Pension Fund	SL iShares Over 15 Year Gilt Index Pension Fund	FTSE Actuaries UK Conventional Gilts Over 15 Years Total Return GBP index	0.21%
LR SL iShares Index Linked Gilt Index Pension Fund	SL iShares Index Linked Gilt Index Pension Fund	FTSE Actuaries UK Index-Linked Over 5 Years Total Return GBP index	0.20%
LR Sustainable Investments	SL Vanguard ESG Developed World All Cap Equity Index	FTSE Developed All Cap ex Controversies/Non-Renewable Energy/Vice Products/Weapons Total Return GBP Index	0.30%
LR Property Fund	Standard Life Property Pension Fund	ABI (Pension) UK Direct Property sector	0.31%
LR SL BlackRock Cash Pension Fund	SL BlackRock Cash Pension Fund	LIBID GBP 1 Week	0.26%

Default and Alternative Lifestyle Options

Current default - The lifestyle strategy shown below is the default investment option for members of the DC section.



The aim of the current default strategy is to provide stable growth in the early years with a focus on wealth preservation in later years as a member begins to approach their retirement date.

Listed below are the alternative lifestyle strategies available to members who were invested in these strategies prior to their closure in 2016. These are linked to targeting the purchase of an annuity at retirement:

Name	Structure
LR Pre-2015 5 Year Strategy	• 100% LR Adventurous Fund, gradually switching into LR Fixed Income Fund beginning 5 years from retirement. • LR SL BlackRock Cash Pension Fund introduced 3 years from retirement. • Asset allocation at retirement 75% fixed income assets and 25% cash.
LR Pre-2015 10 Year Strategy	• 100% LR Adventurous Fund, gradually switching into LR Fixed Income Fund beginning 10 years from retirement. • LR SL BlackRock Cash Pension Fund introduced 3 years from retirement. • Asset allocation at retirement 75% fixed income assets and 25% cash.
LR Pre-2015 15 Year Strategy	• 100% Adventurous Fund, gradually switching into LR Fixed Income Fund beginning 15 years from retirement. • LR SL BlackRock Cash Pension Fund introduced 3 years from retirement. • Asset allocation at retirement 75% fixed income assets and 25% cash.

Appendix C – Risks and Financially Material Considerations

A non-exhaustive list of risks and financially material considerations that the Trustee has taken into consideration and sought to manage, where appropriate, is shown below.

The Trustee adopts an integrated risk management approach. Please refer to the above DB and DC sections for details of the respective specific risks. The three key risks associated within this framework and how they are managed within the DB Section are stated below:

Risks	**Definition**	**Policy**
Investment	The risk that the Fund's position deteriorates due to the assets underperforming.	• Selecting an investment objective that is achievable and is consistent with the Fund's funding basis and the sponsoring company's covenant strength. • Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Fund assets available to cover ongoing and future liability cash flows.	• Funding risk is considered as part of the investment strategy review and the actuarial valuation. • The Trustee will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Fund.	• When developing the Fund's investment and funding objectives, the Trustee takes account of the strength of the covenant ensuring the level of risk the Fund is exposed to is at an appropriate level for the covenant to support. • The Trustee has also managed this risk by ensuring that the Fund has recourse to assets held separately in an escrow account. These assets will be paid into the Fund if the funding level falls below certain triggers at future valuation dates.

Both the DB and the DC Sections of the Fund are exposed to a number of underlying risks relating to the Fund's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Fund assets and present value of liabilities from	To hedge 100% of these risks within the DB Section on a Gilts + 0.5% basis.

	changes in interest rates and inflation expectations.	
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets within the DB Section so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI manager. Liquidity within the DB Section is monitored by the Fund's administrators assessing the level of cash held on a quarterly basis in order to limit the impact of cash flow requirements on the policy. Within the DC Section, liquidity risk is managed by typically offering members pooled funds that are readily redeemable in normal circumstances at reasonable prices.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors.
Diversification	The risk that investments are too concentrated in terms of sector, industry, sub-asset class.	This is measured by observing the relative and absolute volatility of the investment options. Within the DC Section, it is also managed through the selection of broad-based funds that show internal diversification, as well as by offering the membership a fund range which provides for reasonable diversification.
Custodian	The risk that the custodian misplaces Fund investments that it is receiving, delivering or safekeeping.	To be measured by assessing the quality of the custodian bank: its abilities to settle trades on time and to keep safe custody of assets; and its financial strength (both to stay in business and to pay any claims due to the Fund). The Investment Committee monitors the custodian's activities within the DB Section and discusses the performance of the custodian with the investment managers where appropriate.

Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Fund's investments and member outcomes.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory 6. UK Stewardship Code signatory The Trustee monitors the managers on an ongoing basis.
Currency	The potential for adverse currency movements to have an impact on the Fund's investments.	To largely invest in GBP share classes where possible to eliminate direct currency risk. Within the DC section this is managed by providing the membership with a number of GBP based investment options and communicating those funds which invest overseas.
Non-financial	Any factor that is not expected to have a financial impact on the Fund's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix D

The Trustee has the following policies in relation to the investment management arrangements of the Fund: **How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.**	• The Trustee reviews the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. • The Trustee monitors the investment managers' engagement and voting activity on an annual basis as part of their ESG monitoring process. • The Trustee does not incentivise the investment managers to make decisions based on non-financial performance.
How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustee policies.	• The Trustee reviews the performance of all the Fund's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. • The Trustee evaluates performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years. • The Trustee monitors Since Inception returns of the investment managers on a quarterly basis, as part of the ongoing quarterly monitoring. • Investment manager fees are reviewed annually to make sure the correct amounts have been charged and that they remain competitive.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	• Within the DB Section the Trustee does not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis. • Within the DC Section the Trustee monitors turnover costs as part of the annual Chair's Statement in the Trustee Report and Accounts.

The duration of the Fund's arrangements with the investment managers	• The duration of the arrangements is considered in the context of the type of fund the Fund invests in.
	    o For closed-ended funds or funds with a lock-in period the Trustee ensures the timeframe of the investment or lock-in is in line with Trustee objectives and Fund's liquidity requirements.
	    o For open-ended funds, the duration is flexible and the Trustee will, from time-to-time, consider the appropriateness of these investments

	and whether they should continue to be held.
Voting Policy - How the Trustee expects investment managers to vote on its behalf	• The Trustee has acknowledged responsibility for the voting policies that are implemented by the Fund's investment managers on their behalf. • The Trustee is aware of its investment managers' stewardship policies and has considered alignment with their own stewardship priorities.
Engagement Policy - How the Trustee will engage with investment managers, direct assets and others about 'relevant matters'	• The Trustee has acknowledged responsibility for the engagement policies that are implemented by the Fund's investment managers on its behalf. • The Trustee, via its investment advisers, will engage with managers about 'relevant matters' (including the Scheme's stewardship priorities) at least annually. • Example stewardship activities that the Trustees have considered are listed below. o Asset manager engagement and monitoring – on an annual basis, the Trustee assesses the voting and engagement activity of its asset managers. The results of this analysis feeds into the Trustee's investment decision making ▪ Collaborative investor initiatives – the Trustees will consider joining/ supporting collaborative investor initiatives

Appendix E

Environmental, Social and Governance Policy

The Environmental, Social and Governance (ESG) Policy has been prepared by the Lloyd's Register Superannuation Fund (the Fund) to set out its views on ESG factors. It considers how they are addressed whilst meeting the overall objective of the Trustee in respect to both the Defined Benefit (DB) and Defined Contribution (DC) Pension sections.

As part of its fiduciary duty, which includes a comprehensive approach to risk management, the Trustee recognises the need for the Fund to be a long-term responsible investor. An integrated ESG approach can better help manage risk and generate long-term, sustainable returns. Exposure to ESG factors can have a material impact on the Fund's investment performance and member outcomes. Climate change, in particular, poses a systemic risk for financial markets and investors.

Trustee ESG Beliefs

The Trustee has considered and discussed ESG to establish its ESG Policy to help underpin Trustee decision-making. The following areas represent a consensus of ESG beliefs held by the Trustees (these have been grouped into the main areas of focus for the Trustee:

Investment approach:

1. The Trustees will seek to understand how investment managers integrate ESG and climate factors into their investment process.
2. The Fund will seek to identify, assess and manage climate change risks and opportunities, to the extent possible.

Risk management:

3. Managing ESG and climate risks forms a part of the fiduciary duty of the Trustee. There is a reputational risk for the Fund if it fails to manage such risks.
4. ESG and climate factors are important for risk management and can be financially material. The investment strategy should integrate ESG considerations to the extent it does not reduce risk-adjusted returns.
5. Climate change risk poses significant investment risks which will become incrementally more severe over time. Managing climate change risk will be considered, alongside other investment risks, at all stages of the investment journey.
6. When considering how to integrate ESG considerations into the investment arrangements, the Trustee will consider the ESG priority areas of the sponsor.

Voting and engagement:

7. ESG factors are relevant to all asset classes and, whether equity or debt investments, investment managers have a responsibility to engage on ESG factors.
8. The Trustee expects its investment managers to exercise voting rights attached to Fund investments, in line with manager policies. Where manager policies diverge from the Fund stance, the Trustee will engage with the manager on such matters.

9. The Trustee believes that engaging with managers on financially material ESG factors, such as climate change factors, is more effective in initiating change, so will seek to communicate key ESG actions to managers, escalating matters as necessary. Divestment is only used as a last resort.
10. The Trustee expects investment managers to integrate the Fund’s values into how they vote and engage, to the extent possible.

Reporting:

11. The Trustee expects to receive climate-related metric reporting at least annually.
12. The Trustee will develop relevant targets, in relation to the Taskforce on Climate-related Financial Disclosures (TCFD) requirements for pension schemes.
13. The Trustee will seek voting and engagement data from managers, on a regular basis.
14. The Trustee will review the ESG and climate capabilities of investment managers, on a regular basis.

Collaboration:

19. Investment managers should be actively engaging and collaborating with other market participants to raise ESG investment standards and facilitate best practices, as well as sign up and comply with common codes such as the TCFD.

Stewardship

The Trustee believes that taking an active ownership approach to include ESG factors in investments will enable the Fund to reduce overall investment risks, and taking advantage of investment opportunities, whilst generating sustainable returns.

The Trustee is aware of their investment managers’ stewardship policies. The Trustee has acknowledged responsibility for the engagement policies and voting policies that are implemented by the Fund’s investment managers on their behalf.

Example stewardship activities that the Trustee has considered are listed below:

- Selecting and appointing asset managers – the Trustee will consider potential managers’ stewardship policies and activities
- Asset manager engagement and monitoring – on an annual basis, the Trustee will assess the voting and engagement activity of their asset managers. The results of this analysis feeds into Trustee investment decision making.