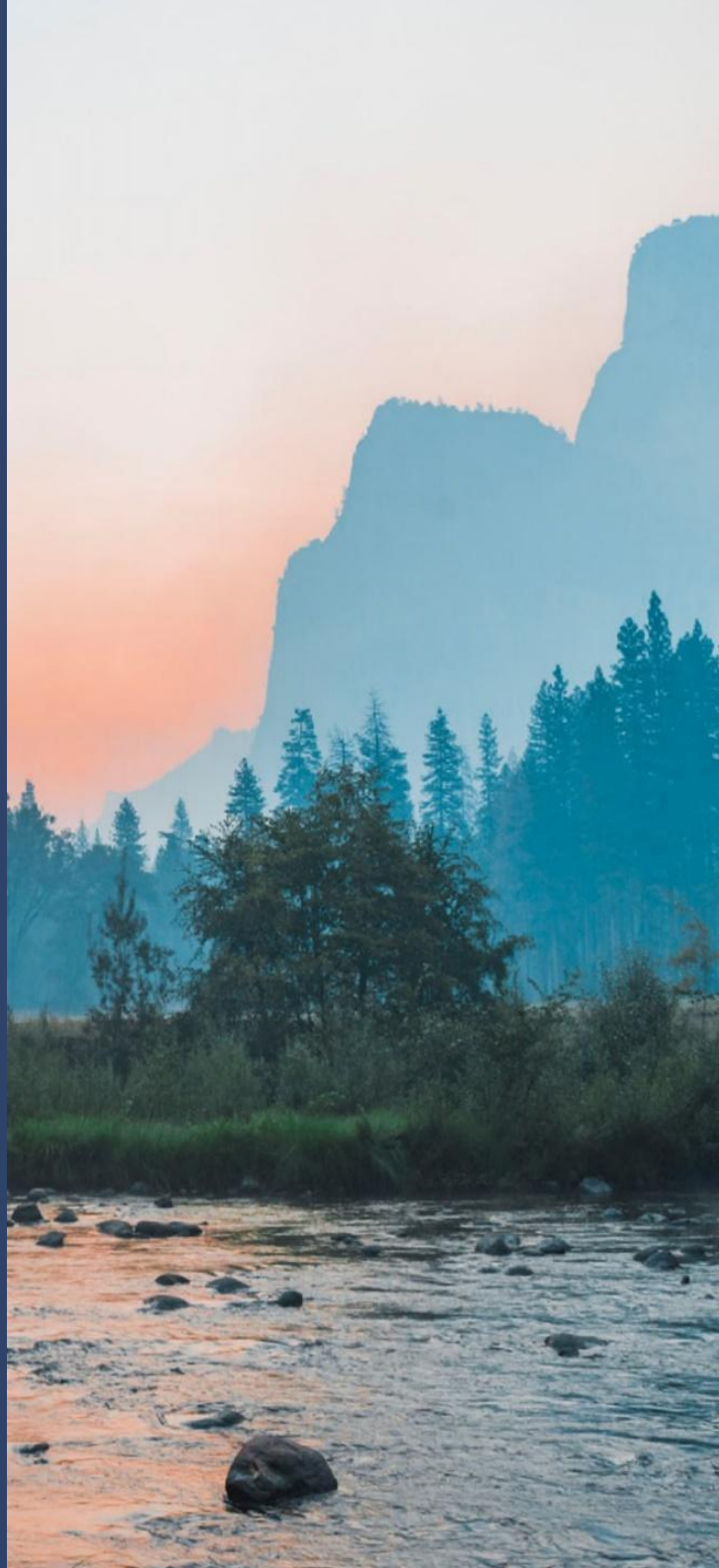
Addendum to the Statement of Investment Principles

For the Threadneedle Pension Plan

Effective from: December 2025

This addendum to the Statement of Investment Principles ("SIP") for the Threadneedle Pension Plan (the "Plan") has been produced by the Trustee of the Plan. It sets out a description of various matters which are not required to be included in the SIP, but which are relevant to the Plan's investment arrangements.



Part 1:
Investment governance, responsibilities, decision-making and fees

We have decided on the following division of responsibilities and decision making for the Plan. This division is based upon our understanding of the various legal requirements placed upon us and our view that the division of responsibility allows for efficient operation and governance of the Plan overall. Our investment powers are set out within the Plan's governing documentation.

1. Trustee

Our responsibilities include:

- setting the investment strategy, in consultation with the employer
- setting investment policies, including those relating to financially material factors and the exercise of rights and engagement activities in respect of the investments
- putting effective governance arrangements in place and documenting these arrangements in a suitable form
- monitoring, reviewing, and replacing investment managers, investment advisers, actuary, and other service providers
- monitoring the exercise of investment powers that we have delegated to the investment managers and monitoring compliance with Section 36 of the Pensions Act 1995 (as amended)
- communicating with members as appropriate on investment matters, such as our assessment of our effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged
- reviewing the SIP and modifying it as necessary.

2. Investment managers

The investment managers' responsibilities include:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets
- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments
- providing regular information concerning the management and performance of their respective portfolios, including information on voting and engagement undertaken
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

3. Investment adviser

The investment adviser's responsibilities include:

- advising on how material changes within the Plan's benefits, membership, and funding position may affect the manner in which the assets should be invested, and advising on and monitoring liability hedging and collateral management
- advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations)
- assisting us with reviews of this SIP.

4. Fee structures

The provision of investment management and advisory services to the Plan results in a range of charges to be met, directly or indirectly, by deduction from the Plan's

assets. We have agreed terms with the Plan's investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment managers receive fees calculated by reference to the market value of assets under management.

The fee structure used in each case has been selected with regard to existing custom and practice, and our view as to the most appropriate arrangements for the Plan, and we keep the fee structures under review.

5. Performance assessment

We are satisfied that there are adequate resources to support our investment responsibilities, and that we have sufficient expertise to carry out our role effectively. It is our policy to assess the performance of the Plan's investments, investment providers and professional advisers from time to time. We will also periodically assess the effectiveness of our decision-making and investment governance processes and will decide how this may then be reported to members.

6. Working with the sponsoring employer

When reviewing matters regarding the Plan's investment arrangements, such as the SIP, we seek to give due consideration to the employer's perspective. Whilst the requirement to consult does not mean that we need to reach agreement with the employer, we believe that better outcomes will generally be achieved if we work with the employer collaboratively.

Part 2:
Policy towards risk

1. Risk capacity and appetite

Risk capacity is the maximum level of risk that we consider to be appropriate to take in the investment strategy. Risk appetite is how much risk we believe is appropriate to take in order to meet the investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action.

When assessing risk and reviewing the investment strategy, we consider:

- the strength of the employer covenant and how this may change over time
- the agreed journey plan and employer contributions
- the Plan's long-term and shorter-term funding targets
- the Plan's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged
- the Plan's cash flow and target return requirements
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

Following implementation of the Plan's current investment strategy, as at 30 June 2025, the Plan's 1 year 95% Value at Risk (on the Low Dependency basis) was estimated to be £7m. This means that there is estimated to be a 1 in 20 chance that the Plan's funding position will worsen by £7m or more, compared to the expected position, over a one year period. When deciding on the current investment strategy, we believed this level of risk to be appropriate given the Plan's objectives.

We will, as appropriate, consider these risks in either a qualitative or quantitative manner – or both – in consultation with our advisers. A formal review is undertaken as part of each formal investment strategy review (normally triennially). In addition, our policy is to monitor, where possible, these risks quarterly.

2. Approach to managing and monitoring risks

There are different types of investment risk that are important to manage, and we monitor these on a regular basis. These include, but are not limited to:

Risk of inadequate returns

A key objective is that the assets produce a sufficient long-term return in excess of the liabilities, and we have set an appropriate target return for the assets accordingly. There is a risk that the return experienced is not sufficient. This risk has been considered in setting the investment strategy.

Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type (eg equities), could materially adversely affect the Plan's assets. We believe that the Plan's assets are adequately diversified between different asset classes and within each asset class. This was a key consideration when determining the Plan's investment arrangements.

Equity risk

We believe that equity risk is a rewarded investment risk, over the long term. We consider exposure to equity risk in the context of the Plan's overall investment strategy and believe that the level of exposure to this risk is appropriate.

Credit risk

The Plan is subject to credit risk because it invests in bonds via pooled funds. This risk is managed by only investing in pooled funds that have a diversified exposure to different credit issuers, and only invest in bonds that are classified as "investment grade".

Currency risk

Whilst the majority of the currency exposure of the Plan's assets is to Sterling, the Plan is subject to currency risk because some of the Plan's investments are held in overseas markets. We consider the overseas currency exposure in the context of the overall investment strategy and believe that it diversifies the strategy and is appropriate.

Interest rate and inflation risk

The Plan's assets are subject to interest rate and inflation risk because some of the Plan's assets are held in Liability Driven Investment ("LDI") funds. However, the interest rate and inflation exposure of the Plan's assets hedges part of the corresponding risks associated with the Plan's liabilities. Given that this should reduce the volatility of the funding level, we believe that it is appropriate to manage exposures to these risks in this manner.

Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, we receive written professional advice, and we will typically undertake a manager selection exercise. We monitor the investments regularly against their objectives and receive ongoing professional investment advice as to their suitability.

Climate-related risks

Climate change is a source of risk, which could be financially material over both the short and longer term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change (eg extreme weather). We seek to appoint investment managers who will manage this risk appropriately and monitor how these risks are being managed in practice.

Other environmental, social and governance (ESG) risks

ESG factors are sources of risk, which could be financially material over both the short and longer term. These include risks relating to unsustainable or socially harmful business practices, and unsound corporate governance. We seek to appoint investment managers who will manage these risks appropriately, and from time to time review how these risks are being managed in practice.

Illiquidity/marketability risk

This is the risk that the Plan is unable to realise assets to meet benefit cash flows as they fall due, or that the Plan will become a forced seller of assets in order to meet benefit payments. We are aware of the Plan's cash flow requirements and believe that this risk is managed by maintaining an appropriate degree of liquidity across the Plan's investments.

Counterparty risk

This is the risk that one party to a contract (such as a derivative instrument) causes a financial loss to the other party by failing to discharge a contractual obligation.

This risk applies in particular for those contracts that are traded directly between parties, rather than traded on a central exchange.

In particular, the Plan's LDI manager makes use within its pooled LDI funds of derivative and gilt repo contracts and this fund is used to match efficiently a portion of the Plan's liabilities. Counterparty risk is managed within the funds through careful initial selection and ongoing monitoring of trading counterparties, counterparty diversification and a robust process of daily collateralisation of each contract, to ensure that counterparty risk is limited, as far as possible, to one day's market movements.

Collateral adequacy risk

The Plan is invested in leveraged LDI arrangements to provide hedging protection against adverse changes in interest rates and inflation expectations. From time to time, depending on market movements, additional cash may need to be invested in the LDI portfolio in order to support a given level of leverage. Collateral adequacy risk is the risk that the cash required to maintain the hedging protection is not available for use within the LDI portfolio within the required timeframe. A possible consequence of this risk materialising is that the Plan's liability hedging could be reduced, potentially leading to a worsening of the Plan's funding level. In order to manage this risk, Trustee's objective is that the Plan has a sufficient allocation to cash and other highly liquid assets that could be used to meet LDI collateral calls. This position is reviewed and updated periodically.

Other non-investment risks

We recognise that there are other non-investment risks faced by the Plan. We take these into consideration as far as practical in setting the investment arrangements.

Examples include:

- longevity risk (risk that members live, on average, longer than expected); and
- sponsor covenant risk (risk that, for whatever reason, the sponsoring employer is unable to support the Plan as anticipated).

Both investment and non-investment risks can lead to the funding position materially worsening. We regularly review progress against the funding target.

Part 3:
Investment manager arrangements

Details of the investment managers are set out below.

Columbia Threadneedle Investments ("CTI") – Dynamic Real Return Fund

A diversified growth fund which aims to achieve an annualised investment return of Consumer Price Index inflation +4% over a period of 3-5 years.

CTI is responsible for the custody of the assets of the fund. Responsibility is delegated to Citibank NA. The Plan does not have a direct relationship with the custodian.

CTI – Global Low Duration Credit Fund

The objective of the fund is to deliver a total return commensurate with investment in low duration non-government bonds and other similar assets. The fund does not have a formal benchmark, but informally benchmarks against low duration government bond and credit indices.

CTI is responsible for custody of the assets of the fund. Responsibility is delegated to State Street Bank International GmbH. The Plan does not have a direct relationship with the custodian.

CTI – Net Zero Transition Buy and Maintain Credit Fund Range

The objective of these funds is to provide income and growth through exposure to credit markets through physical bonds with varying maturities. They aim to achieve this objective through a diversified portfolio with any non-sterling currency and interest rate exposure hedged back to sterling. The funds do not have a formal benchmark, which is typical for pooled buy-and-maintain corporate bond funds and consistent with the investment strategy.

CTI is responsible for custody of the assets of the fund. Responsibility is delegated to State Street Bank International GmbH. The Plan does not have a direct relationship with the custodian.

CTI – Pooled Dynamic Profile LDI Fund Range

These funds are designed to provide a hedge against a typical pension fund's real or nominal liability profile, and they are benchmarked against both gilts-based and swaps-based benchmarks.

CTI is responsible for custody of the assets of the fund. Responsibility is delegated to State Street Bank International GmbH. The Plan does not have a direct relationship with the custodian

CTI – Sterling Liquidity Fund

This fund's objective is to maintain high levels of liquidity and generate a return in line with money market rates. It is held by the Plan to provide a suitable source of cash to meet capital calls from the LDI funds. The fund is benchmarked against GBP SONIA.

CTI is responsible for custody of the assets of the fund. Responsibility is delegated to State Street Bank International GmbH. The Plan does not have a direct relationship with the custodian.

Part 4:
Monitoring and engaging with managers on voting and engagement

Our effective system of governance ("ESOG") in relation to stewardship includes monitoring the voting and engagement activities that our investment managers undertake on our behalf, engaging with them regarding our expectations in relation to stewardship, and encouraging improvements in their stewardship practices. We will review this ESOG periodically, and at least triennially.

On a regular basis, typically once a year, we will also undertake an own risk assessment ("ORA") which assesses how well our ESOG is working and whether any changes should be made.

Stewardship priorities

We have selected some priority themes to provide a focus for our monitoring of investment managers' voting and engagement activities. We will review them regularly and update them if appropriate. Our current priorities are climate change, human rights and corporate governance.

We chose these priorities because they are market-wide areas of risk that are financially material for the investments and can be addressed by good stewardship. Therefore we believe it is in our members' best interests that our managers adopt strong practices in these areas.

We will write to our investment managers regularly to notify them of our stewardship priorities, set out viewpoints and issues of and remind them of our expectations of them in relation to responsible investment – ie ESG considerations and voting and engagement.

Manager selection

We aim to appoint investment managers that have strong responsible investment skills and processes. We therefore favour investment managers who are signatories to the Principles for Responsible Investment and the UK Stewardship Code.

When selecting new managers, we consider our investment consultant's assessment of potential managers' capabilities in this area. If we meet prospective managers, we usually ask questions about responsible investment, focusing on our stewardship priorities.

Manager monitoring

We receive information periodically to enable us to monitor our managers' responsible investment practices and check how effective they're being.

This information includes metrics such as our investment consultant's responsible investment grades for each manager and whether they are signatories to responsible investment initiatives. It also includes a selection of voting and engagement examples relating to our stewardship priorities. The examples are chosen to reflect our stewardship priorities and material mandates over the course of the scheme year (although not necessarily every priority for every mandate).

Ongoing cycle of manager engagement

Given that responsible investment is rapidly evolving, we expect most managers will have areas where they could improve. We therefore aim to have an ongoing dialogue with our managers to clarify our expectations and encourage improvements.

We review the information outlined above to identify any concerns, for

example where the managers' actions are not aligned with our views. Where there are concerns, we typically seek further information through our investment consultants. If a concern is confirmed, we will consider what further action is appropriate.

The Trustee Board reviews progress on the engagements on a regular basis and agrees any next steps.

Implementation statement including most significant votes

Following the end of each Plan year, we prepare a statement which explains how we have implemented our Statement of Investment Principles during the year. We publish it online for our members to read.

In the statement, we describe how our managers have voted on our behalf during the year, including the most significant votes cast. The Trustee Board selects these votes from a set of significant votes compiled by our investment consultant from those provided by our managers. In doing so, we have regard to:

- including a broad range of companies and voting topics, covering environmental, social and governance issues;
- the potential financial impact of the vote;
- whether the vote was high-profile or controversial; and
- how the vote related to our chosen stewardship priorities.