The Honourable Society of the Middle Temple Pension and Assurance Scheme

Statement of Investment Principles

1. Introduction

The Trustees of the Honourable Society of the Middle Temple Pension and Assurance Scheme (the "Scheme") have drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995 (the "Act") as amended by the Pensions Act 2004 and subsequent Regulations. As required under the Act, the Trustees have consulted a suitably qualified person in having obtained written advice from Mercer Limited ("Mercer"). The Trustees, in preparing this Statement, have also consulted the sponsoring employer (the Inn) on the Trustees' objectives.

Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustees acting on expert advice and is driven by their investment objectives as set out in section 2.

The remaining elements of policy are part of the day to day management of the assets which is delegated to professional investment management and described in section 3.

2. Investment Objectives, Risk, and Investment Strategy

2.1 Investment Objectives

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

- To maximise the investment return, with due regard to the sponsoring employers' tolerances with regard to the size and incidence of contribution payments and the potential risk of sizeable deficit payments occurring.

The emphasis of these objectives is to confer a high degree of security for the payment of benefits to Scheme members.

2.2 Risk

There are various risks to which any pension scheme is exposed. The key risks considered by the Trustees and the way in which these risks are managed, are as follows:

- The risk of deterioration in the Scheme's funding level on an ongoing basis;

- The risk of required contributions exceeding sponsoring employers' tolerance levels;

  The Trustees consider the total risk of the investment policy in terms of the potential impact on the level and potential volatility in the contribution rate and the funding level. An appropriate investment policy is identified based on the Trustees' and the Inn's view and tolerances with regard to these risks.

- The risk that the day to day management of the assets will not achieve the rate of investment return expected by the Trustees.

The Trustees invest the bulk of the assets on a passive basis, reducing the risk of underperformance. The diversified growth and corporate bond allocations (see section 3) are managed on an active basis as the Trustees believe that active management is a more appropriate approach for these asset classes.

2.3 Investment Strategy

The Trustees consider the appropriateness of the Scheme's investment strategy following the results of each actuarial valuation and at other times as required. As a result of these reviews, the Trustees decide on an appropriate investment strategy to meet the objectives and risks outlined above.

An investment strategy review was carried out in 2018, as part of which the Trustees obtained analysis on the expected risk and return of the current investment strategy relative to the Scheme's liabilities and the impact, in terms of expected risk and return, of adopting an alternative strategy which considered the introduction of Liability Driven Investment ("LDI") funds.

Following this review, the Trustees decided to adjust the strategic allocation to 45% equities, 15% diversified growth, 15% corporate bonds and 25% LDI. However, the Trustees will review the continued appropriateness of the investment strategy on a regular basis and in response to any significant changes to the Scheme or financial circumstances of the sponsoring employer or the Scheme.

An investment strategy review was carried out in 2023, following a notable increase in gilt yields corresponding to an improvement in the Scheme's funding position. The Trustees agreed to de-risk the assets to lock in some of the funding level gains and reduce risk going forward.

The current investment strategy has been determined by the Trustees based on expert advice from Mercer. The details of the strategy are shown in section 3. The Trustees believe that the resultant asset mix is appropriate for controlling the risks identified in sections 2.2.

3. Day to Day Management of the Assets

3.1 Main Assets

The Trustees invest the main assets of the Scheme in a range of funds operated by Legal & General Investment Management ("LGIM") and Nordea Asset Management ("Nordea"). They are satisfied that the spread of assets by type and investment managers' policy on investing in individual securities within each type provides adequate diversification of investments. The managers have full discretion subject to the guidelines set out below.

Asset Class	Manager	Benchmark (%)	Ranges (%)
Equities	LGIM	25.0	20.0 – 30.0
Diversified Growth	Nordea	15.0	12.0 – 18.0
Bonds	LGIM	60.0	55.0 – 65.0
Total		**100.0**	

The investment portfolios with each respective manager are detailed in the tables over the page:

3.2 Individual Manager Objectives

3.2.1 LGIM – Equities (25% of total Scheme assets)

Asset Class	Benchmark	Benchmark Index (%)	Control Ranges (% +/-)
UK Equities	FTSE All Share	36.25	2.25
Developed World Equities (ex UK)	FTSE AW Developed World ex UK Index	56.25	2.25
Emerging Market Equities	FTSE AW Emerging Markets Index	7.50	0.75
Total		**100.0**	

The performance target for the passively managed equity funds is to track the benchmark index within parameters set by LGIM.

3.2.2 LGIM – Bonds (60% of total Scheme assets)

<table>
<tr><th>Asset Class</th><th>Benchmark</th><th>Benchmark Index (%)</th><th>Control Ranges (% +/-)</th></tr>
<tr><td>Corporate Bonds</td><td>iBoxx £ Non-Gilt Over 10 Year Index</td><td rowspan="2">N/A</td><td rowspan="2">N/A</td></tr>
<tr><td>Liability Hedging</td><td>Bespoke Benchmark</td></tr>
<tr><td>Total</td><td></td><td>100.0</td><td></td></tr>
</table>

The performance target for the actively managed corporate bond fund is to outperform the benchmark index by 0.75% p.a. (gross of fees) over rolling 3 year periods.

In regards to the Scheme's LDI mandate, LGIM are instructed to target an interest rate and inflation hedge ratio of 76% of the liabilities on a gilts +0.5% per annum basis. Note, the hedging target allows for interest rate sensitivity from the Scheme's corporate bond mandate.

3.2.3 Nordea – Diversified Growth (15% of total Scheme assets)

The performance target for the actively managed fund is to outperform cash by 5-7% p.a. (gross of fees) over three year rolling periods.

3.3 Realisation of Investments

In general, the Scheme's investment managers have discretion in the timing of realisations of investments within the pooled funds and in considerations relating to the liquidity of those investments.

There is no current policy on realising investments to meet benefit outgo etc., as the Scheme cashflow is positive. However, the Trustees are satisfied that the investments held are sufficiently liquid to meet any benefit outgo should this be required in future.

In general, investment/disinvestment of monies should be applied to maintain the Scheme's asset distribution as close as possible to the central benchmark. However, the proportions of scheme assets managed by each of the managers may vary from the benchmark proportions due to the differential performance of the managers and the asset classes within their mandates. The Trustees will monitor the change in these proportions from time to time; they will generally look to use cashflows with an aim of bringing the weightings back toward the intended proportions. The Trustees will aim to avoid re-balancing assets between managers to correct drift because of the transition costs involved. In normal conditions the Trustees are content to accept the drift in proportions managed (by manager and by asset class) within a range of +/-3-5% of total assets. Should cash flows prove insufficient to restore the weightings to within the permitted ranges set out above, the Trustees will review what action should be taken at the next scheduled Trustee meeting or earlier if appropriate.

LGIM will also be asked to maintain the benchmark weightings within their equity mandate, with cashflows being used in the first instance to rebalance the portfolio back to the central benchmark. Should cash flows prove insufficient to restore the weightings to within the permitted ranges LGIM will be required to re-balance back to its benchmark weighting. In order to avoid impacting on the level of hedging employed by the Scheme, LGIM will not rebalance between the equity and bond portfolios.

3.4 Additional Assets

Assets in respect of members' additional voluntary contributions are held in individual policies with Legal & General Assurance Society.

3.5 Monitoring the Investment Managers

The Trustees receive quarterly performance reports from the managers and from time to time will meet with the managers to discuss performance and any organisational issues. From time to time the Trustees may also obtain independent monitoring of the managers.

4. **Fee Structure**

4.1 LGIM

UK equities: 0.10% p.a. of the first £10m, plus 0.075% p.a. of the next £10m, plus 0.06% p.a. of the next £30m, plus 0.05% p.a. of the balance above £50m.

EM equities: 0.45% p.a. of the first £5m, plus 0.35% p.a. of the next £5m, plus 0.30% p.a. annum of the balance above £10m.

World (ex UK) equities: 0.225% p.a. of the first £5m, plus 0.195% p.a. of the next £10m, plus 0.165% p.a. of the next £35m, plus 0.135% p.a. of the balance above £50m.

Leveraged gilt funds: 0.24% p.a. of the first £25m; and 0.17% p.a. of the balance above £25m.

Unlevered gilt funds: 0.10% p.a. of the first £5m, plus 0.075% p.a. of the next £5m, plus 0.05% p.a. of the next £20m, plus 0.03% p.a. of the balance above £30m.

Corporate bonds: 0.2% p.a.

Cash: 0.125% p.a. of the first £5m, plus 0.10% p.a. of the next £5m, plus 0.075% p.a. of the next £20m, plus 0.05% p.a. of the balance above £30m

4.2 Nordea

The fees charged by Nordea are 1.0% p.a.

5. **Socially Responsible Investment and Corporate Governance**

5.1 ESG, Stewardship, and Climate Change

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

The Trustees have given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations. Where applicable the Trustees expect the Scheme's investment managers to exercise all voting rights attaching to shares or securities and take account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. The managers are authorised to exercise discretion to vote as they think, but in doing so reflect the best interests of the Scheme.

The Trustees consider how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis and is documented at least annually.

The Trustees do not explicitly consult members when making investment decisions but update members, typically annually, via newsletters on any changes to the Scheme's investment arrangements and also makes available a copy of the Statement of Investment Principles.

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

5.2 Engagement with the Investment Managers

The policy in relation to the Trustees' arrangements with their investment managers are set out below.

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

In line with section 3 of the SIP, investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for.

The Trustees look to their investment consultant for their forward-looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Scheme invests in. The consultant's manager research ratings assist with due diligence and questioning managers during presentations to the Trustees and are used in decisions around selection, retention and realisation of manager appointments.

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

The Scheme's investment mandates with LGIM and Nordea are reviewed following periods of sustained underperformance from their respective targets. The Trustees will review the appropriateness of using active and passive managed funds (on an asset class basis) on an ad-hoc basis.

As the Trustees invest the bulk of the Scheme's assets in pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

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

The Trustees will consider the investment consultant's assessment of how the investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the investment managers' policy on voting and engagement.

The Trustees meet with the investment manager at Trustee meetings as required and may challenge decisions made including voting history (in respect of equities) and engagement activity.

The Trustees delegate all voting and engagement activities to the investment manager. When required the Trustees will question managers' voting decisions if they deem them out of line with the investment fund's objectives or the objectives / policies of the scheme.

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

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

The Trustees receive investment manager performance reports on a 6 monthly basis, which presents performance information over 6 months, 1 year and 3 year periods. The Trustees review the absolute performance, relative performance against a suitable index used as the benchmark, and against the manager's stated tracking error (over the relevant time period).

If the manager is not meeting their investment objectives for the mandate, the Trustees may review the mandate including the annual management charge levied by the manager.

D Monitoring portfolio turnover costs incurred by the asset manager:

The Trustees receive MiFID II reporting from their investment manager but do not analyse the information.

The Trustees do not currently monitor portfolio turnover costs but may look to do so in the future.

E The duration of the arrangement with the asset manager:

The Trustees are long term investors and are not looking to change the investment arrangements on a frequent basis.

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

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

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

6. Compliance with this Statement

The Trustees will monitor compliance with this statement annually.

7. Review of this Statement

The Trustees will review this Statement in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustees which they judge to have a bearing on the stated investment policy.

This review will occur no less frequently than every three years to coincide with the Actuarial Valuation. Any such review will again be based on written, expert investment advice.

Signed... Date 2 October 2025

On behalf of the Trustees of The Honourable Society of the Middle Temple Pension and Assurance Scheme

Date of Amendments

First amendment:	November 2005 (investment strategy review)
Second amendment:	March 2006 (revised investment policy & revised regulations)
Third amendment:	March 2010 (investment strategy review)
Fourth amendment:	July 2012 (introduction of a Diversified Growth mandate and equity restructure)
Fifth amendment:	October 2018 (introduction of a LDI mandate and ESG update)
Sixth amendment:	May 2019 (replacement of ASI with Nordea)
Seventh amendment:	August 2020 (stewardship regulations)
Eighth amendment:	November 2023 (stewardship regulations)