

Scottish Solicitors' Staff Pension Fund

Statement of Investment Principles

Introduction

The Trustee of the Scottish Solicitors' Staff Pension Fund (the "Fund") has drawn up the Statement of Investment Principles (the "Statement") to comply with the requirements of The Pensions Act 1995, as amended by the Pensions Act 2004, The Occupational Pension Funds (Investment) Regulations 2005 and other subsequent regulations. It is subject to periodic review by the Trustee at least every three years and more frequently as appropriate.

In preparing this Statement, the Trustee has consulted with the Sponsoring Employers.

In considering the appropriate investments for the Fund, the Trustee has obtained and considered expert written advice from an entity whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

Investment objective

The primary objective of the Fund is to provide pension and lump sum benefits for the current members on their retirement, and/or benefits on death, before or after retirement for their dependents, on a defined benefit basis.

The Trustee's medium-term objective is to reach and maintain a funding position of 100% of Technical Provisions – such a target being consistent with the strength of the sponsoring employers' covenants and the Trustee's investment risk tolerance.

The long-term funding objective is to reach a funding position such that all members' benefits can be secured within an insurance contract (i.e. reach full funding on an insurance buy-out basis). The Trustee also considers the Fund's funding position on other relevant bases for valuation and accounting. Funding positions are monitored regularly by the Trustee and formally reviewed at each triennial valuation, or more frequently as required by the Pensions Act 2004.

Investment strategy

Following a review of the Fund's investment strategy in February 2025, the Trustee translated the Fund's objectives into a suitable strategic asset allocation benchmark for the Fund (the "strategic benchmark"). The Fund benchmark is consistent with the Trustee's views on the appropriate balance between seeking an enhanced long-term return on investments and an appropriate level of investment risk. Detail on the strategic benchmark is provided in Appendix 1.

The investment strategy takes due account of the maturity profile of the Fund, together with the level of disclosed surplus or deficit (relative to the Technical Provisions valuation). The Trustee monitors fund performance relative to the agreed asset allocation benchmark. It is intended that the investment strategy will be reviewed at least every three years following actuarial valuations, however the strategy will normally be monitored quarterly. In monitoring performance and setting strategy, the Trustee seeks written advice

from a suitably qualified entity as required, currently Isio Group Limited.

The Fund employs a mix of both active and passive management. Detail on the investment management structure of the Fund is provided in Appendix 1.

Leverage and collateral management

The Trustee will adhere to all relevant regulatory guidance and requirements in relation to leverage and collateral management within the Fund's liability hedging (LDI) portfolio.

The Trustee have agreed a process for meeting collateral calls should these be made by the Fund's LDI manager. The Trustee will review and stress test this framework on a regular basis.

Investment Management Arrangements

The Trustee has appointed two investment managers to manage the assets of the Fund as listed in Appendix 1. 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.

As the Fund's assets are invested in pooled vehicles, the custody of the holdings is arranged by the investment manager. The Trustee acknowledges that it cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustee does expect its fund managers and investment consultant to take account of financially material considerations when carrying out their respective roles.

The Trustee has appointed the following investment managers: Legal and General Investment Management Limited ("LGIM") and M&G Investments ("M&G") as investment managers.

The LGIM liability driven investment ("LDI") allocation is managed on a passive basis and has no formal benchmark in place. Instead, the mandate tracks movements in the Fund's liabilities for any changes in interest rates and inflation and does not aim to generate any outperformance. The LGIM asset-backed securities, LGIM absolute return bonds and M&G multi-asset credit are actively managed with the aim of exceeding a performance target.

The Trustee considers the different managers and asset classes described above, and the balance

between them, to be suitable given the circumstances of the Fund. This combination results in a diversified mix of assets, geographic spread and number of investments held. An analysis of the Fund's investments by fund manager and asset class, as at 30 June 2025, is set out in Appendix 1.

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 Trustee meeting. - The Fund's investment managers are on occasion 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	See Appendix 3	See Appendix 3

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.

Expected return on investments

The investment strategy aims to achieve a return on Fund assets which, taken in conjunction with contributions, is sufficient, over time, to match growth in the Fund's pension liabilities.

The overall performance target (i.e. the expected return on the Fund's investments) has been set at Gilts + 1.0% p.a. based on Isio's central assumptions as at 31 March 2025. Further detail on the expected

return on investments is provided in Appendix 1.

Realisation of Investments

The Trustee operates a bank account for daily cash flow needs.

On a quarterly basis, via the regular investment reporting, the Trustee considers the strategic positioning of each of the Fund's mandates, to identify the various over/under weight allocations. Written advice is provided by the investment consultant as to the appropriate source of funding in the event that there is insufficient cash to meet Fund cashflow requirements.

Signed for and on behalf of Dalriada Trustees Limited, as Trustee to the Scottish Solicitors' Staff Pension Fund

Signed by:

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Trustee

30/9/2025
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Date

Appendix 1

Strategic asset allocation split by fund manager (as at 30 June 2025)

Fund Manager	%	Mandate	Assets
M&G	20.0	Active	Multi-Asset Credit
LGIM	15.0	Active	Absolute Return Bonds
	20.0	Active	Asset-Backed Securities
	10.0	Passive	Money Markets / Cash
	35.0	Passive	Liability Driven Investment
Total	100.0		

Totals may not sum due to rounding.

Asset split by asset class (as at 30 June 2025)

Asset Class	Strategic Benchmark (%)	Expected Return ¹ (%)
Multi-Asset Credit	20.0	Gilts + 2.6%
Absolute Return Bonds	15.0	Gilts + 1.5%
Asset-Backed Securities	20.0	Gilts + 1.0%
Money Markets / Cash	10.0	Gilts + 0.0%
LDI	35.0	Gilts + 0.0%
Total	100.0	Gilts + 1.0%

Totals may not sum due to rounding

¹ Expected return assumptions are based on Isio's central (best estimate) assumptions as at 31 March 2025.

Appendix 2 – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustee has considered and sought to manage is shown below.

The Trustee adopts an integrated risk management approach. The three key risks associated within this framework and how they are managed 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 employers' 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 Fund is 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 changes in interest rates and inflation expectations.	To hedge 100% of movements in interest rates and inflation on a technical provisions basis.
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 so that there is a prudent buffer to pay members benefits as they fall due (including transfer values).

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
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.	- To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: - Responsible Investment ('RI') Policy / Framework - Implemented via Investment Process - A track record of using engagement and any voting rights to manage ESG factors - ESG specific reporting - UN PRI Signatory (or equivalent) - The Trustee monitors the managers on an ongoing basis. - The Trustee considers ESG issues as part of the investment process, and believe that financially material considerations (including climate change) are implicitly factored into the expected risk and return profile of the asset classes they are investing in.
Currency	The potential for adverse currency movements to have an impact on the Fund's investments.	Hedge all currency risk on all assets that deliver a return through contractual income.
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 3 - Financially Material Considerations

The Trustee has considered financially material factors such as environmental, social and governance ('ESG') issues as part of the investment process to determine a strategic asset allocation over the length of time during which the benefits are provided by the Fund for members. It believes that financially material considerations (including climate change) are implicitly factored into the expected risk and return profile of the asset classes they are investing in.

In endeavoring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest through pooled funds. The Trustee acknowledges that it cannot directly influence the ESG policies and practices of the companies in which the pooled funds invest. However, the Trustee does expect its fund managers and investment consultant to take account of financially material considerations when carrying out their roles.

The Trustee accepts that the Fund's assets are subject to the investment manager's own policy on socially responsible investment. The Trustee will assess that this corresponds with its responsibilities to the beneficiaries of the Fund with the help of its investment consultant.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are also reviewed regularly for existing managers with the help of the investment consultant. The Trustee will only invest with investment managers that are signatories for the United Nations Principles of Responsible Investment ('UN PRI') or other similarly recognised standard.

The Trustee will monitor financially material considerations through the following means:

- Obtain training where necessary on ESG considerations in order to understand fully how ESG factors including climate change could impact the Fund and its investments;
- Use ESG ratings information provided by its investment consultant, to assess how the Fund's investment managers take account of ESG issues; and
- Request that all of the Fund's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes, via its investment consultant.

If the Trustee determines that financially material considerations have not been factored into the investment managers' process, it will take this into account on whether to select or retain an investment.

Stewardship

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustee's behalf, having regard to the best financial interests of the beneficiaries.

The investment manager should engage with companies to take account of ESG factors in the exercise of such rights as the Trustee believes this will be beneficial to the financial interests of members over the long term. The Trustee will review the investment managers' voting policies, with the help of its investment consultant, and decide if they are appropriate.

The Trustee also expects the fund managers to engage with investee companies on the capital structure and management of conflicts of interest.

If the policies or level of engagement are not appropriate, the Trustee will engage with the investment manager, with the help of its investment consultant, to influence the investment managers' policy. If this fails, the Trustee will review the investments made with the investment manager.

The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code and expect investment managers to adhere to this where appropriate for the investments they manage.

Environmental, Social and Governance (ESG) and Climate Change Risks

There is a risk that ESG issues and climate change are not considered as part of the investment process and so may expose the portfolio to unexpected risks. This can lead to losses that may not have been factored into any expectations of future investment returns. The Trustee has considered ESG issues including climate change as part of the investment process.

Appendix 4 - Policy on Investment Manager Arrangements

The Trustee has the following policies in relation to the investment management arrangements for the Fund:

How the investment managers are incentivised to align their investment strategy and decisions with the Trustee policies.	- As the Fund is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustee's policies. However, the Trustee invests in a portfolio of pooled funds that are aligned to the strategic objectives. - The Trustee believes the annual fee paid to the fund managers incentivises them to stick to the fund objective, which is used to reflect the investment strategy.
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's policies.	- The Trustee reviews the performance of all of 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. - 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.	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.
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. - 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 the Trustee's objectives and Fund's liquidity requirements. - 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 their behalf	• The Trustee has acknowledged responsibility for the voting policies that are implemented by the Fund's investment managers on their behalf.
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 their behalf. • The Trustee, via their investment adviser, will engage with managers about 'relevant matters' at least annually. • 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 a time-to-time basis, the Trustee assesses the voting and engagement activity of their asset managers. The results of this analysis feeds into the Trustee's investment decision making – Collaborative investor initiatives – the Trustee will consider joining/ supporting collaborative investor initiatives

Appendix 5 – Collateral Management Policy

At the time of writing, the Trustee is targeting a level of collateral over and above that within the Fund's LDI funds that is sufficient to withstand (at least) two collateral calls from each of the Fund's LDI funds.

The Trustee will review its collateral management policy no less frequently than annually, or as soon as possible in the event of significant market movements.

The Fund has a collateral waterfall system in place. Assets held with the same manager as the LDI mandate are shown in bold, reflecting the lower governance burden on the Trustee.

Manager	Asset Class	Dealing frequency	Notice period	Settlement period
LDI manager	LDI	Weekly frequency	T - 2	T + 2
LDI manager	Absolute Return Bonds	Weekly frequency	T - 1	T + 2
LDI manager	Cash	Weekly frequency	T - 1	T + 2
LDI manager	Asset-Backed Securities	Weekly frequency	T - 1	T + 2
Non-LDI manager	Multi-Asset Credit	Daily frequency	T	T + 2