

Statement of Investment Principles

This is the Statement of Investment Principles made by the Trustee of the Sun Life Assurance Company of Canada 1988 UK and Irish Employee Benefits Scheme (“the Scheme”) in accordance with the Pensions Act 1995 (as amended). The Statement, which was last approved by the Trustee in July 2025, is subject to periodic review at least every three years and without delay after any significant change in investment policy.

In preparing this Statement, the Trustee has consulted with the Principal Employer to the Scheme (“Phoenix Life CA Limited”) and has taken and considered written advice from the Investment Practice of Hymans Robertson LLP.

Scheme Objective

The primary objective of the Scheme is to meet payments to beneficiaries as they fall due. It may also have obligations to meet expenses of running the Scheme.

Investment objectives and strategy

The Trustees meet their investment objective by investing in buy-in contracts.

To secure the benefits of Scheme members, the Trustee has entered into a number of buy-in contracts – one with Pension Insurance Corporation (“PIC”) in 2018 and two with Rothesay Life (“Rothesay”) in 2021 and 2026. Under these contracts, the insurers make regular payments to the Scheme to cover members’ benefit payments.

Both insurers are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority. The Trustee carried out an extensive due diligence assessment on both insurers and has obtained written advice from their professional advisers prior to entering the contracts, as required by law.

Given the nature of the contracts, premiums were paid to the relevant insurers as part of these risk transfer exercises. Having transferred a portion of the Scheme’s assets to the insurers, the insurer takes on the responsibility of managing its assets in order to meet the Scheme’s annuity benefits purchased. As such, portfolio turnover and realisation of assets are no longer considered relevant to this part of the Scheme’s portfolio.

In addition, the Scheme has residual assets. These will be normally invested in cash like instruments after taking into account the level of any residual assets and the expected time horizon of the Scheme. The Trustee’s views on the appropriate balance between seeking an enhanced long-term return and accepting greater short-term volatility and risk will also be considered.

All day to day investment decisions relating to residual assets have been delegated to Insight Investment (“Insight”). Insight is authorised under the Financial Services and Markets Act 2000. Investments with Insight are managed through pooled funds.

It is intended that the Scheme’s residual asset strategy will be reviewed periodically. The Trustee consults with the Principal Employer in reviewing the Scheme’s residual asset strategy.

Risk

- The Trustee recognises that the Scheme faces a number of risks, in relation to the investment of its assets. Most of these are mitigated by the buy-in policies in place. The Trustee is also aware that many risks cannot be mitigated completely. Concentration risk - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving the Scheme’s objectives.

- Liquidity risk - The Trustee ensure the Scheme maintains a sufficient cash balance in its bank account to meet its outgoings by measuring the level of cashflow required by the Scheme over a specified period of time. Investment manager underperformance risk - The failure by the investment manager to achieve the rate of investment return assumed in setting their mandates.
- Environmental, Social and Governance (“ESG”) risks – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.
- Climate risk - The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.
- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers.
- Custody risk - The risk of loss of Scheme assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.

Stewardship

The Trustee regard stewardship as encompassing the exercise of voting rights and engagement with investee companies, engagement by and with investment managers, the monitoring of managers’ compliance with agreed policies, and participation of the Scheme in ESG-related industry initiatives.

The Scheme is mainly invested in buy-in contracts and day-to-day management of its assets has been transferred to the relevant insurers. The Trustee no longer directly exercise any voting rights attached to these assets

In relation to residual assets, the Trustee has adopted a policy of delegating voting decisions where relevant to their investment manager on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Given the nature of assets held and overall maturity of the Scheme, however, it is unlikely for any assets owned that the investment manager will be required to vote on the Scheme’s behalf. Nonetheless, responsibility for investment decisions has been delegated to the investment manager which includes consideration of the capital structure of investments and the appropriateness of any investment made. In selecting a new investment manager for the Scheme, appointing a current investment manager to manage a new mandate on behalf of the Scheme or agreeing a new insurance contract, where relevant the Trustee explicitly considers the approach to responsible investment and the extent to which ESG issues are integrated in the investment process as a factor in their decision making. The Trustee does this based on advice from their investment advisors.

Consideration of non-financially material factors in investment arrangements

Given the objectives of the Scheme, the Trustee has not considered any non-financially material factors in the development and implementation of their investment arrangements.

The Trustee has not imposed any restrictions or exclusions to the investment arrangements based on non-financially material factors.

General principles for residual assets

The Trustee ensures that all investment manager engagements have clearly defined benchmarks, objectives and management parameters.

The Trustee will invest in pooled funds where the objectives of the fund and the policies of the investment manager will be evaluated by the Trustee to ensure that they are appropriate for the needs of the Scheme.

Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations and typically set according to the total value of invested assets. Where appropriate to the nature of the mandate, the term of the mandate and the role the mandate plays within the investment strategy, the Trustee may agree to a fee structure where the investment manager is incentivised to deliver outperformance relative to an agreed benchmark, typically in conjunction with a tiered fee structure based on the total value of invested assets. The Trustee periodically reviews the fees paid to the investment manager against industry standards.

The Trustee reviews the suitability of the Scheme investments on a regular basis. The Trustee seeks and considers written advice from a suitably qualified person when determining the appropriateness of each manager and mandate for the Scheme, considering matters such as diversification, risk, expected return and liquidity. If, at any time, investment in a security or product not previously known to the Trustee is proposed, appropriate advice is sought and considered to ensure its suitability.

The Trustee monitors their investment manager's performance against their respective benchmarks or targets, where relevant, on a quarterly basis over a short-term time horizon given the relative maturity of the Scheme.

In an active mandate, the Trustee would expect that their investment manager will take account of all financially material factors including the potential impact of ESG factors in the implementation of their mandate.

In a passive mandate, the Trustee recognises that the choice of benchmark dictates the assets held by the investment manager and that the manager has minimal freedom to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive manager is to deliver returns in line with the benchmark and believe the choice of benchmark will deliver appropriate risk adjusted returns. As the passive mandate is a liability driven investment portfolio, the benchmark is specific to the liabilities of the Scheme.

Prepared by:

The Trustee of the Sun Life Assurance Company of Canada 1988 UK and Irish Employee Benefits Scheme

Trustee

Name

Date

Version control

Version	Commentary	Date
1.0	Original Statement (Hymans' format)	January 2004
2.0	Update for addition of State Street Global Advisors as manager of the DB Section overseas equity assets and intention to introduce swap overlay on bond assets	May 2006
3.0	Regular update including requirements of Occupational Pension Schemes (Investment) Regulations 2005, recent manager allocation changes and completion of swap overlay programme on the bond portfolio	December 2007
4.0	Update for change of Credit Suisse's benchmark asset allocation	July 2008
5.0	Update for Aberdeen's purchase of interest in Credit Suisse's funds, change in DC funds and sale of property	August 2009
6.0	Update to reflect decision to temporarily invest cash from the sale of property units in index-linked gilts with SSgA	January 2010
7.0	Update to reflect 5% reduction in equities and temporary increase in allocation to index-linked gilts.	March 2010
8.0	Update to reflect transfer of assets to Insight and launch of new DC fund options.	October 2010
9.0	Amend target manager allocations from +/-2% to +/-5%	October 2011
10.0	Amendment to reflect de-risking	March 2013
11.0	Amendment to reflect transfer of State Street assets to Insight and the restructure of DB assets held with Insight.	November 2014
12.0	Amendment to reflect removal of the DC section and Active Bond Sub-Portfolio	August 2016
13.0	Amendment to reflect expanded Risk section, buy-in asset, hedging rebalance ranges and the Scheme's stance on ESG commitments within the portfolio	September 2018
14.0	Incorporation of the Scheme's commitments to fully addressing its responsibility over Responsible Investment of Scheme assets and ongoing and frequent monitoring of the investment manager in respect of RI and ESG. Removal of asset allocation and manager performance, fees and restrictions.	July 2019
15.0	Additional disclosures covering the Scheme's Manager Engagement Policy (in particular how their managers are incentivised to out-perform) and expanded Stewardship Policy (detailing the Trustee's engagement with key stakeholders and where this has been delegated to the Scheme's investment managers). The insurance policies held by the Scheme have been drawn out and specific details provided regarding their suitability and usage.	June 2020
16.0	Amendment to reflect insured transaction with Rothesay Life.	March 2021
17.0	Amended to reflect removal of illiquid assets from portfolio.	October 2022
18.0	Amendments to reflect maturity of Scheme and current structuring of assets held	May 2024

19.0	Amended to reflect change in kinds of investments held and review of investment risks given disinvestment from ABS assets, and the Scheme's closeness to final risk transfer	June 2025
20.0	Updated to reflect post buy-in position following completion of final buy-in with Rothesay Life.	September 2026