Clifford Chance Pension Scheme – Money Purchase section (“the Scheme”) Statement of Investment Principles (“the Statement”)

1. Scope of Statement

This Statement sets out the policy of the Trustee of the Clifford Chance Pension Scheme (“the Trustee”) on various matters governing decisions about the investments of the Money Purchase section of the Clifford Chance Pension Scheme. The Trustee maintains a separate Statement for the Final Salary section. This Statement replaces the previous Statement dated March 2022.

This Statement has been prepared in accordance with Section 35 of the Pension Act 1995 (as amended by the Pension Act 2004 and the Occupational Pension Plans (Investment) Regulations 2005) and the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and (Investment and Disclosure) Regulations 2019, which introduced minimum governance standards that apply to all trust-based Defined Contribution (DC) schemes).

This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.

In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to appointed investment managers. The investment managers shall provide the skill and expertise necessary to manage the investments of the Scheme competently.

The effective date of this Statement is 25 September 2024. The Trustee will review this Statement and the Scheme’s investment strategy no later than three years after the effective date of this Statement and without undue delay after any significant change in investment policy.

The investment powers of the Trustee are set out in Clause 7 of the Definitive Trust Deed & Rules, dated 13 December 2001. This statement is consistent with those powers.

2. Consultations Made

The Trustee has consulted with the relevant employer in writing this Statement.

The Trustee is responsible for the investment strategy of the Scheme. The Trustee has obtained and considered written professional advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Barnett Waddingham LLP (“Barnett Waddingham”), the Scheme’s investment adviser for the Money Purchase section, whom the Trustee believes to be suitably qualified and experienced to provide such advice and who are authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries for a range of business activities.

The day to day management of the Scheme's assets has been delegated to investment managers who are appropriately authorised and regulated as required under the Financial Services and Markets Act 2000 (amended by the Financial Services Act 2012). A copy of this Statement is available to Scheme members on request and is stored on the Scheme's website.

3. Objectives and Policy for Securing Objectives

The Trustee’s primary objectives for setting the investment strategy of the Money Purchase section of the Scheme are:

- “asset choice” to ensure members have an appropriate choice of assets for investment

- “return objective” to enable members to benefit from investment in “growth” assets until they approach retirement, when they will be able to switch to “matching” assets which are more related to the format of the benefits they are expected to take at retirement

4. Choosing Investments

The investment options offered to members of the Money Purchase section are deemed appropriate, given the profile of the membership. A range of funds is available to members. This has been expanded to provide suitable like for like funds to members who transferred funds from the legacy Voluntary Contribution (“VC”) arrangements. A summary of the investment options available is set out in the Appendix.

The Trustee set a ‘default’ investment strategy for funds transferred to Legal & General from the Unitised Mixed Managed Fund and the legacy VC arrangements. This strategy applied to transfers unless members provided alternative investment instructions.

When setting the default investment strategy, the Trustee considered:

- The need for appropriate diversification of asset classes.
- The differing investment priorities for members, depending upon their term to retirement.
- The format in which members are expected to take benefits.

The default investment strategy for money purchase funds is the Legal & General target date fund corresponding to the members’ normal, or selected, retirement age. This strategy aims to build real retirement income, whilst managing possible downside risk. The asset allocation of the fund assumes members will keep their pension savings invested at retirement (albeit outside of the Scheme) and 'drawdown' on them as and when they wish.

The default investment strategy for VC funds is the Legal & General cash target date fund corresponding to the members’ normal, or selected, retirement age. This strategy aims to build real retirement income, whilst managing possible downside risk. The asset allocation of the fund assumes members will take their pension savings as a cash lump sum at retirement.

In addition to the default investment strategies set for the Legal & General arrangement, the Utmost Life and Pensions Investing by Age strategy may also be considered a default strategy, as funds transferred from the Equitable Life With Profits Fund were invested in the Investing by Age strategy if members did not provide alternative investment instructions. The Investing by Age strategy adopts a multi-asset approach until members are age 75, when it starts to switch to cash. The aim of the Investing by Age strategy is to achieve capital growth over the long term whilst spreading risk by investing in a range of asset classes.

In setting the Scheme’s investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. These include:

- The risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from its investment adviser when setting the Scheme asset allocation, when selecting managers and when monitoring their performance.

Day to day selection of stocks is delegated to the fund managers appointed by the Trustee. The Trustee takes regular professional advice when formally reviewing managers or funds offered to members.

The Trustee and investment managers to whom discretion has been delegated exercise their powers to give effect to the principles in this Statement, so far as is reasonably practicable. The investment managers are authorised and regulated by the Financial Conduct Authority.

Investment in derivatives is only made in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

5. The Balance between Different Kinds of Investments

The Trustee recognises that the key source of financial risk (in relation to meeting their objectives) arises from fund selection for the Money Purchase section. The Trustee therefore retains responsibility for selecting a range of appropriate funds for the members to subsequently choose from for the Money Purchase section. The Trustee takes expert advice as required from professional advisers.

The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and the asset allocation may change as the membership profile evolves.

Investment in illiquid assets is expected to bring certain benefits to members including diversification, return enhancement and inflation protection. The Trustee believes these advantages can outweigh the disadvantages of reduced liquidity, higher investment fees and higher investment risk.

LGIM currently invest a portion of members' funds in illiquid assets. Investment is made within the growth phase of some of the Target Date vintages. Whilst there has been no explicit commitment as to how much LGIM might ultimately invest in this, there is up to a 10% allocation for the nearer dated vintages, which impacts members who are close to their retirement age.

The Trustee is aware that LGIM are looking to introduce a further allocation to illiquid assets for members in the growth phase, impacting members who are furthest from their retirement age. The Trustees will consider the suitability of any material changes to the target date funds (including but not limited to illiquid assets).

6. Implementation of the investment arrangements

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriate investments.

Details of the investment managers are set out in the Appendix.

The Trustee has signed agreements with the investment managers setting out in detail the terms on which the portfolios are to be managed. The investment managers' primary role is the day-to-day investment management of the Scheme's investments.

The Trustee has limited influence over managers' investment practices because all the Scheme's assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring managers. The Trustee is supported in this monitoring activity by its investment advisers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. The duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone. There are no predetermined terms of agreement on duration of arrangement with the investment managers.

The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual performance as well as the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

7. Investment Risk Measurement and Management

The Trustee recognises that risk in a defined contribution scheme lies with the members themselves. The Trustee takes account of this in the selection and monitoring of the investment managers and the choice of funds offered to members, and in setting the default investment strategy for the Legal & General and Utmost Life and Pensions arrangements.

8. Custody

The assets managed by all managers are invested in pooled funds which gives the Trustee a right to the cash value of the units rather than to the underlying assets. The investment managers of the pooled funds are responsible for the appointment and monitoring of the custodian of the underlying assets.

9. Expected Returns on Assets

Returns achieved by the fund managers within the Money Purchase section are assessed against performance benchmarks set by the Trustee in consultation with the advisers and fund managers.

The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

10. Realisation of Investments/Liquidity

The Trustee recognises that there is a risk in holding assets that cannot be easily realised should the need arise.

The majority of the assets held are realisable at short notice (through the sale of units in pooled funds). The Trustee has delegated the responsibility for buying and selling investments to the investment managers.

11. Consideration of financially material and non-financial matters

The Trustee has considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

The Trustee has limited influence over managers' investment practices where assets are held in pooled funds but expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations) as the managers consider appropriate where relevant to financial performance. The Trustee seeks to appoint fund managers that have appropriate skills and processes to do this.

The Trustee does not take into account any non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments, but does offer an ESG fund to members as a self-select fund.

12. Stewardship

The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries. The Trustee has limited influence over managers' stewardship practices where assets are held in pooled funds.

13. Costs & Transparency

The Trustee believes it is important to understand all the different costs and charges, which are paid by members. These include:

- explicit charges, such as the annual management charge, and additional expenses that are disclosed by fund managers as part of the Total Expense Ratio ('TER');
- investment platform costs;
- implicit charges, such as the portfolio turnover costs (transaction costs) borne within a fund.

The Trustee defines portfolio turnover costs as the costs incurred in buying and selling underlying securities held within each fund's portfolio. These are incurred on an ongoing basis and are implicit within the performance of each fund.

Other costs of providing the Scheme, including Scheme administration and Scheme adviser costs, are not charged to members.

The member borne costs of the Scheme are met through annual charges on the funds in which the Scheme members are invested; these charges being a fixed percentage of the value of the assets. The Trustee collects information on all the member-borne costs and charges on an annual basis, where available, and sets these out in the Scheme's Annual Chair's Statement ("the Chair's Statement"), which is made available to members in a publicly accessible location.

No specific ranges are set for acceptable costs and charges, particularly in relation to portfolio turnover costs. However, the Trustee expects its investment adviser to highlight if these costs and charges appear unreasonable when they are collected as part of the Chair's Statement exercise.

14. Effective Decision Making

The Trustee recognises that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. It also recognises that where it takes investment decisions, it must have sufficient expertise and appropriate training to be able to evaluate critically any advice it takes.

15. VC Arrangements

Some members obtained further benefits by paying VCs to the Scheme. These funds are now closed to new contributions. A summary of the investment options that are available for existing contributions is set out in the Appendix.

R T Tremaine Director for Clifford Chance Pension Trustees Ltd
Signature

A Dawson Director for Clifford Chance Pension Trustees Ltd
Signature

25 September 2024
Date

Clifford Chance Pension Scheme – Money Purchase section ("the Scheme") Appendix to Statement of Investment Principles

This Appendix sets out information on the fund range available for the members of the Money Purchase section of the Scheme, and for members that made Voluntary Contributions to the Scheme, and is supplementary to the Trustee's Statement of Investment Principles (the "attached Statement").

Provider	Fund	Investment Objectives	Annual Management Charge %
Legal & General[1]	Target Date Fund (Money Purchase default)	To help investors build their real retirement income, whilst managing possible downside risk. The asset allocation of the fund aims to be aligned with members' chosen retirement goal for members that expect to keep their pension savings invested at retirement and 'drawdown' on them as and when they wish.	0.28
	Cash Target Date Fund (VC default)	To help investors build their real retirement income, whilst managing possible downside risk. The asset allocation of the fund aims to be aligned with members' chosen retirement goal for members that expect to take their pension savings as a cash lump sum at retirement.	0.28
	Annuity Target Date Fund	To help investors build their real retirement income, whilst managing possible downside risk. The asset allocation of the fund aims to be aligned with members' chosen retirement goal for members that expect to use their pension savings to purchase a guaranteed pension income (annuity) at retirement.	0.28
	World (ex-UK) Equity Index Fund	To track the performance of the FTSE World (excluding UK) Index (including re-invested income) to within +/- 0.50% each year for two years out of three.	0.25
	UK Equity Index Fund	To track the performance of the FTSE All-Share Index (including re-invested income) to within +/- 0.25% each year for two years out of three.	0.23
	Future World Fund	To replicate the performance of the FTSE All-World ex-CW Climate Balanced Factor Index[2]. The anticipated annual tracking error, in normal market conditions, relative to the Index is +/-0.60% in two years out of three.	0.37
	Asia Pacific (ex-Japan) Equity Index Fund	To track the performance of the FTSE World Asia Pacific (excluding Japan) Index (including re-invested income) to within +/- 0.75% each year for two years out of three.	0.27
	Europe (ex UK) Equity Index Fund	To track the performance of the FTSE World Europe (excluding UK) Developed Index (including re-invested income) to within +/- 0.50% each year for two years out of three.	0.25
	North America Equity Index Fund	To track the performance of the FTSE World North America Index (including re-invested income) to within +/- 0.50% each year for two years out of three.	0.25
	Multi-Asset Fund	To provide long-term investment growth through exposure to a diversified range of asset classes, which currently includes equities, bonds, property and infrastructure.	0.26

[1] Replaced the Unitised Mixed Managed Fund in March 2021

[2] This is a specialist equity index which is designed to reflect the performance of the FTSE All-World Index incorporating Climate Change and Controversial Weapons ('CW') considerations and balanced exposure to Value, Quality, Low Volatility and (Small) Size factors.

	Pre-Retirement Fund	To provide diversified exposure to assets that reflect the broad characteristics of investments underlying a typical level annuity product.	0.25
	Cash Fund	To provide capital protection with growth at short-term interest rates. The fund invests in the short-term money markets such as bank deposits and Treasury Bills.	0.22

Provider	Notes	Fund	Annual Management Charge
Utmost Life and Pensions (formerly Equitable Life),	Equitable Life available until December 2000	Unit-linked funds	0.5%-1.81% for unit-linked funds
Clerical Medical and Scottish Widows	Scottish Widows available until March 1996. Clerical Medical available from June 2001	With-profits and unit-linked funds	0.495% - 1.125% for unit-linked funds Inherent within the bonus declarations for With Profits

Fee structure for advisers and managers

Advisers

The Trustee's investment advisers are paid for advice received on the basis of the time spent by the adviser. For significant areas of advice (for example one off special jobs, or large jobs), the Trustee will endeavour to agree a project budget.

These arrangements recognise the bespoke nature of the advice given, and that no investment decisions have been delegated to the adviser.

Investment managers

The investment managers are remunerated as a set percentage of the assets under management as per the annual management charges set out in the table above. This is in keeping with market practice.