

Docklands Light Railway Pension Scheme ("the Scheme")

Statement of Investment Principles ("the Statement")

Scope of Statement

This Statement has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005).

The effective date of this Statement is 20 November 2025. The Trustees will review this Statement and the Scheme's investment strategy no later than three years after the effective date of this statement and without delay after any significant change in investment policy.

Consultations made

The Trustees have consulted with Docklands Light Railway Limited and the participating employers, collectively "the Employer", prior to writing this Statement and will take the Employer's comments into account when they believe it is appropriate to do so.

The Trustees are responsible for the investment strategy of the Docklands Light Railway Pension Scheme. They have obtained written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Aon Investments Limited ("Aon") who are authorised and regulated by the Financial Conduct Authority.

The day-to-day management of the Scheme's assets has been delegated to investment managers who are authorised and regulated by the Financial Conduct Authority. A copy of this Statement has been provided to the appointed investment managers and is available to the members of the Scheme.

Objectives and policy for securing objectives

The Trustees' primary objectives are:

- "funding objective" - to ensure that the Scheme is fully funded using assumptions that contain a margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the Employer;
- "stability objective" – to have due regard to the likely level and volatility of required contributions when setting the Scheme's investment strategy; and
- "security objective" – to ensure that the solvency position of the Scheme is expected to improve. The Trustees will take into account the strength of Employer's covenant when determining the expected improvement in the solvency position of the Scheme.

The Trustees recognise that these objectives may conflict. For example, a greater allocation to more defensive assets may give greater security, but may result in a level of contributions which the Employer may find too difficult to support. The Trustees also recognise that, in resolving this conflict, it is necessary to accept some risk. The investment strategy chosen by the Trustees has the aim of maximising the likelihood of achieving these objectives.

When setting the investment strategy, the Trustees' 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. The Trustees believe that in order to fulfil this commitment and to protect and enhance the value of the Scheme's investments, they must act as responsible stewards of the assets in which the Scheme invests.

Choosing investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cash flow requirements, the funding level of the Scheme and the Trustees' objectives.

The assets of the Scheme are invested in the best interests of the members and beneficiaries.

The Trustees exercise their powers of investment (or delegation where these powers have been delegated to an investment manager) in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk, a spread of assets is held. The diversification is both within and across the major asset classes.

Assets held to cover the Scheme's technical provisions (the liabilities of the Scheme) are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

The assets of the Scheme are invested predominantly in regulated markets (with investments not in regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

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

The balance between different kinds of investments

The Trustees recognise that the key source of financial risk (in relation to meeting their objectives) arises from asset allocation. They therefore retain responsibility for setting the Scheme's overall asset allocation and take expert advice as required from their professional advisers.

The Trustees are mindful that some of the investment managers have discretion to invest in a range of underlying asset classes and that the underlying asset allocation varies over time. As a result the Scheme's actual asset allocation depends, in part, on the views of some of the underlying investment managers appointed by the Trustees. The Trustees take account of this when setting the Scheme's investment strategy, as detailed in the Appendix, and regularly monitor the balance of the overall strategy and seek to make adjustments as and when necessary.

The Trustees review their investment strategy in conjunction with each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). The Trustees take written advice from their professional advisers regarding an appropriate investment strategy for the Scheme.

A broad range of available asset classes in which to invest has been considered by the Trustees. This includes consideration of so called "alternative" asset classes, for example, property, private equity and hedge funds.

Investment risk measurement and management

The most important risks are recognised as arising from asset allocation. These will be assessed at least annually and following an update of the actuarial valuation. This assessment is forward-looking, and may incorporate the use of asset and liability modelling techniques. Checks will be made to assess whether the funding and investment strategy remains on target to achieve the original objectives and within acceptable parameters. If it is not then corrective action will be considered, by adjusting investment policy or through amendments to the contribution plan.

Risks associated with changes in the Employer covenant are assessed by monitoring the Failure Score (as defined for the purposes of calculating the risk-based element of the Pension Protection Fund levy). The Trustees also have an agreement with the Employer to receive notification of any events which have the potential to alter the creditworthiness of the Employer.

In particular, the Trustees will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator, and employer-related Notifiable Events. On receipt of such notification, the Trustees will re-consider the continued appropriateness of the Scheme's existing investment strategy.

The Trustees monitor the risks arising through the selection or appointment of investment managers on a quarterly basis via investment monitoring reports prepared by their professional advisors. The Trustees have appointed Aon to alert them on any matters of material significance that might affect the ability of each investment manager to achieve its objectives.

The Trustees acknowledge that investment returns achieved outside the expected deviation (positive or negative) from the benchmark for a passive investment manager or from the target for an active investment manager may be an indication that the investment manager is taking a higher level of risk than anticipated.

For due diligence purposes the Trustees will meet with the investment managers on a regular basis.

Custody

Investment in pooled funds gives the Trustees a right to the cash value of the units rather than to the underlying assets. The managers of the pooled funds are responsible for the appointment and monitoring of the custodians of the funds' assets. The custodians are independent of the Employer.

Expected returns on assets

Over the long-term the Trustees' expectations are:

- For the "growth" assets to generate a future investment return in excess of inflation and national average earnings over the long term. The Trustees are willing to incur short-term volatility in asset price behaviour with the expectation that over the long term the growth assets will outperform those asset classes which may be regarded as matching the liabilities.
- For the "matching" assets to move in a way that matches the sensitivity of the liabilities to interest rates and inflation.

Projected 10 year investment returns for asset classes based on Aon's Capital Market Assumptions as at 30 September 2025 were as follows: 6.8% pa global equities, 6.0% pa 15 year fixed interest gilts, 5.0% pa on 15 year index-linked gilts and 6.5% pa UK property. Consumer Price Inflation is expected to average 2.3% pa over the same period. Returns achieved by the investment managers are assessed against performance benchmarks set by the Trustees in consultation with their advisers and investment managers.

Realisation of Investments/Liquidity

The Trustees recognise 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. A proportion of the Scheme's assets are invested in closed ended funds and hence will trade very infrequently, if at all, before the end of the fund's lifetime.

Social, Environmental or Governance Considerations

The Trustees acknowledge that an understanding of financially material considerations including environmental, social and corporate governance (ESG) factors (such as climate change) and risks related to these factors can contribute to the identification of investment opportunities and financially material risks.

As part of their delegated responsibilities, the Trustees expect the Scheme's investment managers to take into account corporate governance, social, and environmental considerations (including long-term risks posed by sustainability concerns including climate change risks) in the selection, retention and realisation of investments. Any decision should not apply personal ethical or moral judgments to these issues but should consider the sustainability of business models that are influenced by them.

The Trustees are taking the following steps to monitor and assess ESG related risks and opportunities:

- The Trustees will have periodic training on Responsible Investment to understand how ESG factors, including climate change, could impact the Scheme's assets and liabilities.
- As part of ongoing monitoring of the Scheme's investment managers, the Trustees will use ESG ratings information provided by Aon, where relevant and available, to monitor the level of the Scheme's investment managers' integration of ESG on a regular basis.
- The Trustees will request all of the Scheme's investment managers to provide their Responsible Investment policy and details of how they integrate ESG into their investment decision making process on a regular basis. Should the Trustees look to appoint a new manager, the Trustees will request this information as part of the selection process. All responses will be reviewed and monitored with input from their investment consultant.

The process for identifying and assessing climate-related risks and opportunities is captured by:

- Our advisers demonstrating how they have considered short and long-term climate change risks and opportunities when providing new strategic investment advice, new mandates, new funding plans and new advice on the covenant.
- Investments that are Buy rated by Aon having at least an appropriate or advanced process to identify, evaluate and mitigate potential financially material ESG risks, including climate change, within the portfolio.
- Our asset managers, for Buy rated and Not rated investments, demonstrating how they have considered short and long-term climate change risks and opportunities when reporting on their portfolios.

This will enable us to understand what measures are being taken to reflect climate change opportunities and risk within the investments, funding and covenant.

Stewardship – voting and engagement

The Trustees recognise the importance of their role as a steward of capital and the need to ensure high standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately creates long-term financial value for the Scheme and its beneficiaries.

The Trustees have delegated all voting and engagement activities to the Scheme's investment managers. The Trustees accept responsibility for how the managers steward assets on their behalf, including the casting of votes in line with each manager's individual voting policy.

The Trustees regularly review the suitability of the Scheme's appointed investment managers and take advice from their investment consultant regarding any changes. Where applicable, this advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustees expect, the Trustees undertake to engage with the manager and seek a more sustainable position and may look to replace the manager.

The Trustees review the stewardship activities of the investment managers on an annual basis, covering both engagement and voting actions, and will report on this information in the Engagement Policy Implementation Statement (EPIS). The Trustees will review the alignment of their policies to those of the investment managers and look for the investment managers, or other third parties, to use their influence as major institutional investors to carry out the Trustees' rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies to promote good corporate governance, accountability, and positive change.

The Trustees will engage with the investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

If the Trustees' monitoring reveals that an investment manager's voting or engagement policies, or its stewardship actions are not aligned with the Trustee's expectations, the Trustee will engage with the manager, via different medium such as emails and meetings, to seek a more sustainable position, but it may look to replace the manager.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an asset manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Arrangements with investment managers

The Trustees monitor the Scheme's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustees' policies.

Where the Scheme invests in funds that are regularly reviewed by the Trustees' investment consultant, the Trustees use conclusions drawn from these assessments on a quarterly basis to determine whether the funds and investment managers remain suitable.

Where the Scheme invests in funds that are not regularly reviewed by the Trustees' investment consultant, the Trustees review these funds on an annual basis and conducts a review of the strategy, with the support of their investment consultant.

The above monitoring includes the extent to which investment managers:

- make decisions based on assessments about medium- to long-term financial performance of an issuer of debt or equity; and

- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustees receive quarterly reports and verbal updates from the investment consultant on various items including the investment strategy, performance and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme's objectives and assesses the investment managers over the long-term.

In line with the required actions from the Pensions Regulator, on an annual basis the Trustees will produce an EPIS which will be included in the annual report and accounts.

Before appointment of a new investment manager, the Trustees review the governing documentation associated with the investment and will consider the extent to which this aligns with the Trustees' policies. Where possible, the Trustees will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustees will express their expectations to the investment manager.

The Trustees believe that having appropriate governing documentation, setting clear expectations to the investment managers (where possible), and regular monitoring of investment managers' performance and investment strategy, is sufficient to incentivise the investment managers to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial performance.

Where investment managers are considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically first engage with the manager but could ultimately replace the investment manager where this is deemed necessary.

There is typically no set duration for arrangements with investment managers, although the continued appointment for all investment managers will be reviewed if material causes for concern are identified. Where the Scheme holds closed ended vehicles, the duration is usually defined by the nature of the underlying investments.

Cost monitoring

The Trustees are aware of the importance of monitoring the investment managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustees recognise that in addition to annual management charges, other costs will be incurred by their investment managers that will increase the overall cost incurred by the investments.

The Trustees receive annual cost transparency reports covering all of their investments and ask that the managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustees to understand exactly what they are paying their managers. The Trustees work with their investment consultant and investment managers to understand these costs in more detail where required.

The Trustees believe that net of all cost performance assessments provide an incentive on investment managers to manage costs efficiently. However, they also understand that regular monitoring of these costs will improve the incentives on investment managers to control any inefficiencies.

The Trustees accept that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable so long as it is consistent with the asset class characteristics and manager's style and historic trends. Where the Trustees' monitoring identifies a lack of consistency the mandate will be reviewed.

The Trustees are aware of portfolio turnover costs (portfolio turnover costs are defined as the costs incurred as a result of the buying, selling, lending or borrowing of investments) associated with their underlying investments through the information provided by their investment managers. The monitoring of the target portfolio turnover and turnover range is monitored annually with the assistance of the investment consultant.

Members' views and non-financial factors

The Trustees do not specifically take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme (defined as 'non-financial factors' in the 2018 Regulations). The Trustees will review their policy towards this on a triennial basis.

Additional Voluntary Contributions ("AVCs") Arrangements

Some members obtain further benefits by paying AVCs to the Scheme. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions.

From time to time the Trustees review the choice of investments available to members to ensure that they remain appropriate to the members' needs.

Docklands Light Railway Pension Scheme (“the Scheme”)

Appendix to the Statement of Investment Principles

This Appendix sets out details of the Trustees’ investment strategy and is supplementary to the Trustees’ Statement of Investment Principles.

1. Asset Allocation

The approximate asset allocation at the effective date is set out in the table below:

Asset Class	Benchmark (%)
Growth Assets	57
Equity	18
Hedge Funds	14
Absolute Return Bonds	9
Multi-Asset Credit	4
Bank Capital Relief	7
Global Infrastructure	5
Matching Assets	43
Liability Driven Investments and Cash	43
Total	100

The Trustees’ aim is to hedge interest rate and inflation risks equal to 100% of the Scheme’s Gilts+0.5% (Low Dependency) basis.

A working balance of cash is held for the imminent payment of benefits, expenses, etc. Under normal circumstances it is not the Trustees’ intention to hold a significant cash balance in the Trustees’ bank accounts and this is carefully monitored by the Scheme’s administrator.

In order to ensure the assets are re-balanced in line with the asset allocation strategy, the Trustees review the balance of the assets on a regular basis, following which appropriate corrective action is taken.

2 Fee Structure for Advisers and Investment Managers

2.1 Advisers

The Trustees' advisers are paid for advice received on the basis of the time spent by the adviser. For significant areas of advice (e.g. one off special jobs, or large jobs, such as asset and liability modelling), the Trustees 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 advisers.

2.2 Investment Managers

The investment managers are remunerated as a set percentage of the assets under management. Where appropriate a performance-related fee may also apply.