Lockheed Martin UK Pension Plan

Statement of Investment Principles

January 2025

Defined Benefit Section

The following document outlines the Plan's Statement of Investment Principles, which sets out the Plan's investment objective, the Plan's investment strategy, the Trustees' approach to risk management, issues concerning implementation of the strategy and the policy on governance.

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

The principles outlined in this section of the Statement of Investment Principles became effective following the delegation of certain decision-making powers by the Trustees to Aon Investments Limited (the "Fiduciary Manager"). The Trustees have taken advice from Aon ("Aon") regarding the suitability of the Fiduciary Manager in this capacity.

1. INVESTMENT OBJECTIVE

The Trustees' aim is to invest the assets of the Plan prudently to ensure that the benefits promised to members are provided. The asset allocation strategy the Trustees have selected is designed to achieve a return above the valuation discount rate, while maintaining a prudent approach to meeting the Plan's liabilities (on the basis of gilt yields) and is, as at January 2025, as follows:

To set an investment strategy which targets to outperform the liability benchmark by 0.5% per annum over rolling three-year periods.

2. STRATEGY

The current asset allocation chosen to meet the objective above was broadly 30% growth assets and 70% matching assets as at January 2025. However, the Trustees recognise the potential volatility in growth asset returns, particularly relative to the Plan's liabilities. When choosing the Plan's asset allocation strategy, the Trustees considered written advice from their investment consultant and, in doing so, addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

It is the Trustees' policy to review the investment strategy at regular intervals.

Over the long-term the Trustees' expectations for the growth assets (a diversified mixture of high-quality return-seeking fixed income assets) and the ‘matching’ assets (liability driven investment and synthetic investment grade credit) are:

- **Growth Assets:** To deliver steady returns above the liability benchmark over rolling three-year periods, in an overall low risk way. The Trustee wishes to protect the Plan’s strong funding position by avoiding significant exposure to assets that are particularly volatile in the short-term.

- **Matching Assets:** To match the liability cashflows for a proportion of the Plan's membership. The Matching Assets are invested in a Liability Driven Investment (LDI) strategy which is expected to broadly match the return of the Plan's liabilities and in particular their sensitivity to changes in interest rates and inflation expectations. The Matching Assets also includes an allocation to synthetic investment grade credit designed to provide a hedge against changes in insurer pricing over time, which is aligned to the Plan’s ultimate endgame objective of securing member benefits with an insurer.

The Fiduciary Manager also has discretion to borrow for short-term liquidity purposes and to invest in derivatives to the extent permissible under laws and regulations applicable to the Plan.

The allocation may vary over time as the Liability Matching Component aims to take into account the movement in the underlying value of the Plan's liabilities whilst the Growth Component weighting will be affected by market prices of a broad range of asset classes.

The investment strategy has been determined taking into account the strength of the sponsor covenant and the risk appetite of the sponsor and Trustees, which evolve over time. For example, in setting the Plan’s investment strategy, the Trustees assess risk using a measure called the Value at Risk (impact on funding of a 1 in 20 year downside event) and determine whether they are comfortable with this.

3. RISK MEASUREMENT AND MANAGEMENT

The Trustees recognise that the key risk to the Plan is that it has insufficient assets to make provisions for 100% of its liabilities (“funding risk”). The Trustees have identified a number of risks which have the potential to cause deterioration in the Plan’s funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors (“mismatching risk”). The Trustees and their advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Plan's immediate liabilities (“cash flow risk”). The Trustees and their advisers will manage the Plan's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the Fiduciary Manager to achieve the rate of investment return assumed by the Trustees (“manager risk”). This risk was and will be considered by the Trustees and their advisers both upon the initial appointment of the Fiduciary Manager and on an ongoing basis thereafter.
- The failure to spread investment risk (“risk of lack of diversification”). The Trustees and their advisers considered this risk when setting the Plan's investment strategy.
- The possibility of failure of the Plan's sponsoring employer (“covenant risk”). The Trustees and its advisers considered this risk when setting the investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence (“operational risk”). The Trustees have sought to minimise such risk by ensuring that all advisers and third-party service

providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews. The Trustees' policy is to monitor, where possible, these risks periodically. The Trustees receive quarterly reports showing:

- Performance versus the Plan's investment objective.
- The actual asset allocation.
- Detail and also any changes to the structure of the underlying funds invested in by the Plan.
- Market review and outlook.

In addition, the Trustees will be notified by AIL of any significant issues that arise.

4. IMPLEMENTATION

The Trustees have delegated all day-to-day decisions in respect of the Plan's investment to AIL, their Fiduciary Manager, through a written contract including the allocation of assets between different asset classes and the appointment and monitoring of fund managers. When choosing asset classes and fund managers, the Trustees AIL are required to have regard to the criteria for investment set out in the Occupational Pension Plans (Investment) Regulations 2005 (regulation 4). AIL’s responsibilities include:

- Realisation of investments;
- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Delegating voting and corporate governance as required for the underlying investment managers to meet the performance objectives of the investments they hold.

5. GOVERNANCE

The Trustees are responsible for the investment of the Plan’s assets. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take themselves and which to delegate, the Trustees have taken into account whether they have the appropriate training and expert advice in order to take an informed decision. The Trustees have established the following decision making structure:

Trustees
• Set structures and processes for carrying out its role
• Appoint the Manager
• Agree the overall investment objective
• Monitor Investment Advisers and the Manager
• Select direct investments

The Fiduciary Manager ("AIL")	Investment Adviser ("Aon")
• Set the strategy for investing in different asset classes in line with the investment objective • Determine strategy for selecting fund managers • Implement the investment strategy • Select and appoint investment managers • Monitor investment managers • Adjust asset allocations to reflect medium term market expectations • Report on asset return versus the liability benchmark • Report on asset returns against objectives • Communicate any significant changes to investment arrangements	• Advise on investment strategy • Advise on the investment liability benchmark • Review the Statement of Investment Principles • Advise on direct investments • Carry out further project work when required • Advise on appropriateness of service provided by the Manager

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager under a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The Trustees' policy is to review its direct investments and to obtain written advice about them at regular intervals. These include vehicles available for members' AVCs. When deciding whether or not to make any new direct investments the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the fund managers.

The written advice will consider the issues set out in the Occupational Pension Plans (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustees (or, to the extent delegated, by the fund managers) against the following criteria.

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

6. RELATIONSHIP WITH ADVISERS

Aon has been selected as investment adviser to the Trustees. They operate under an agreement to provide a service which ensures the Trustees are fully briefed to take decisions themselves and to monitor those they delegate.

The Trustees' investment adviser, Aon, has the knowledge and experience required under the Pensions Act 1995 & 2004.

The Fiduciary Manager is paid on an ad valorem and performance fee basis. This structure has been chosen to align the interests of the Fiduciary Manager and those of the Plan.

The Trustees expect the Fiduciary Manager to handle the assets delegated to them under the terms of the contract and to give effect to the principles in this statement so far as is reasonably practicable.

7. RESPONSIBLE INVESTMENT / SOCIAL, ENVIRONMENTAL AND ETHICAL CONSIDERATIONS / CLIMATE CHANGE

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

Environmental, Social, and Governance ('ESG') considerations

The Trustees consider investment risk to include ESG factors and climate change. These risks could negatively impact the Plan's investments. The Trustees consider these risks by taking advice from its investment adviser.

The Trustees have appointed Aon Investments Limited ("AIL") to manage the Plan's assets. AIL invests in a range of underlying investment vehicles.

As part of AIL's management of the Plan's assets, the Trustees expect AIL to:

- Where relevant, assess the integration of ESG factors in the investment process of underlying managers;
- Use its influence to engage with underlying managers to ensure the Plan's assets are not exposed to undue risk; and
- Report to the Trustees on its ESG activities as required.

Arrangements with the Fiduciary Manager and Underlying Managers

The Trustees have appointed AIL as their Fiduciary Manager, who they consider to be their asset manager. References in this policy to 'underlying asset managers' refers to those asset managers which AIL in turn appoints to manage investment on behalf of the Trustees.

The Trustees recognise that the arrangements with their Fiduciary Manager, and correspondingly the underlying asset managers, are important to ensure that interests are aligned. In particular, the Trustees seek to ensure that the Fiduciary Manager is incentivised to operate in a manner that generates the best long-term results for the Plan and its beneficiaries.

The Trustees receive quarterly reports and verbal updates from the Fiduciary Manager 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 Plan's objectives and assess the Fiduciary Manager over 3-year periods.

The Trustees also receive annual stewardship reports on the monitoring and engagement activities carried out by their Fiduciary Manager, which supports the Trustees in determining the extent to which the Plan's engagement policy has been followed throughout the year.

The Trustees share the policies, as set out in this SIP, with the Plan’s Fiduciary Manager and request that they review and confirm whether their approach is in alignment with the Trustees’ policies.

The Trustees delegate the ongoing monitoring of underlying asset managers to the Fiduciary Manager. The Fiduciary Manager monitors the Plan’s investments to consider the extent to which the investment strategy and decisions of the underlying asset managers are aligned with the investment objectives of the Plan.

This includes monitoring the extent to which the underlying asset managers:

- make decisions based on assessments about medium- to long-term financial and non-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.

Before appointment of a new fiduciary manager, the Trustees review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees’ policies. Where possible, the Trustees will seek to amend that documentation or express their expectations (such as through side letters, in writing, or verbally at trustee meetings) so that there is more alignment.

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

Where the Fiduciary Manager is 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 engage with the Fiduciary Manager to understand the circumstances and materiality of the decisions made.

There is typically no set duration for arrangements with the Fiduciary Manager, although the continued appointment will be reviewed periodically. Similarly, there are no set durations for arrangements with the underlying asset managers that the Fiduciary Manager invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place. For certain closed ended vehicles, the duration may be defined by the nature of the underlying investments.

Investment decision making

The Trustees recognise that behavioural biases have the potential to affect investment decisions. They have considered and understand personal biases and recognise that doing so is expected to improve outcomes.

The Trustees understand the types of protection available for different types of investments, including general asset protections, the sponsor covenant and the existence of the Pension Protection Fund.

Costs and Performance

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

The Trustees receive annual cost transparency reports from their Fiduciary Manager. These reports present information in line with prevailing regulatory requirements for fiduciary managers. They clearly set out on an itemised basis:

- The total amount of investment costs incurred by the Plan;
- The fees paid to the Fiduciary Manager;
- The fees paid to the investment managers appointed by the Fiduciary Manager;
- The amount of portfolio turnover costs (transaction costs) incurred by the investment managers appointed by the Fiduciary Manager;
  - The Trustees define portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the investment managers appointed by the Fiduciary Manager;
- Any charges incurred through the use of pooled funds (custody, administration, and audit fees)
- The impact of costs on the investment return achieved by the Plan.

The Trustees acknowledge that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager. The Fiduciary Manager monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the investment managers appointed on behalf of the Trustees.

The Trustees benefit from the economies of scale provided by the Fiduciary Manager in two key cost areas:

- The ability of the Fiduciary Manager to negotiate reduced annual management charges with the appointed investment managers;
- The ability of the Fiduciary Manager to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the investment managers and achieve efficiencies where possible;

Evaluation of performance and remuneration:

The Trustees assess the (net of all costs) performance of their Fiduciary Manager on a rolling three-year basis against the Plan's specific liability benchmark and investment objective. The remuneration paid to the Fiduciary Manager and fees incurred by third parties appointed by the Fiduciary Manager are provided annually by the Fiduciary Manager to the Trustees. This cost information is set out alongside the performance of the Fiduciary Manager to provide context. The Trustees monitor these costs and performance trends over time.

Stewardship – Voting and Engagement

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

The Trustee has delegated all voting and engagement activities to the Plan's investment managers, via AIL. The Trustee accepts responsibility for how the manager stewards assets on its behalf, including the casting of votes in line with each managers' individual voting policies. The Trustee reviews manager voting and engagement policies on an annual basis from AIL to ensure they are in line with the Trustee's expectations and in members' best interests.

As part of the Fiduciary Manager's management of the Plan's assets, the Trustees expects the Fiduciary Manager to:

- Ensure that (where appropriate) underlying asset managers exercise the Trustees' voting rights in relation to the Plan's assets; and

- Report to the Trustees on stewardship activity by underlying asset managers as required.

Managers are expected to vote at company meetings and engage with companies on the Trustee's behalf in relation to ESG considerations and other relevant matters (such as the companies' performance, strategy, risks, capital structure, and management of conflicts of interest).Where possible, the transparency for voting should include voting actions and rationale with relevance to the Plan, in particular where: votes were cast against management; votes against management generally were significant; votes were abstained; voting differed from the voting policy of the Trustees.

Where voting is concerned, we would expect our underlying asset managers, to recall stock lending, as necessary, in order to carry out voting actions.

The Trustees recognise that their collaborative behaviours can further work to mitigate the risks for the Plan that we have identified above.

The Trustees will engage with their Fiduciary Manager, who in turn is able to engage with underlying asset managers, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made.

This engagement aims to ensure that robust active ownership behaviours, reflective of the Trustee's active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Plan members on request.

Should the Trustee's monitoring process reveal that a manager's voting and engagement policies and actions are not aligned with the Trustee's expectations, the Trustee will engage with AIL to discuss how alignment may be improved to bring about the best long-term outcomes for the Plan.

Climate Change

The Trustees' 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 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.

Members' Views and Non-Financial Factors

In setting and implementing the Plan's investment strategy the Trustees do consider the Plan members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors") and will continue to monitor the market and ratings of the selected investment funds, however we do not explicitly seek their engagement through quantitative measures.

8. AVC ARRANGEMENTS

The Trustees previously made a selection of funds available to members who wished to make Additional Voluntary Contributions. Members are no longer able to make contributions to these legacy AVC funds, but existing assets may remain invested until further notice.

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

9. REVIEW

The Trustees will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustees will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

Dated: January 2025

Signed:

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Name:

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Signed:

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Name:

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This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustee also complies with the requirements to maintain and take advice on the Statement and with the disclosure requirements.