Medical Defence Union Pension and Life Assurance Scheme
Statement of Investment Principles

This Statement of Investment Principles covers the Medical Defence Union Pension and Life Assurance Scheme (the "Scheme").

Scheme Investment Objective

The Trustees aim to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided. In setting investment strategy, the Trustees first considered the lowest risk asset allocation that they could adopt in relation to the Scheme's liabilities. The asset allocation strategy they have selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Scheme's liabilities.

STRATEGY

The current **planned asset allocation strategy** chosen to meet the objective above is set out in the table below. The Trustees will monitor the actual asset allocation versus the target weight set out in the table below. The Trustees acknowledge that due to factors such as market movements, investment views, governance constraints and implementation issues the Scheme's actual asset allocation may deviate significantly from the target. For example, since July 2026, the Trustees have chosen to remove the Equity allocation and increase the allocation to the Matching portfolio in order to reduce volatility of the funding position in the near term.

Asset class	Allocation (%)
Growth portfolio	**10.0**
All World Equity	5.0
All World Equity GBP Hedged	5.0
Maturing Buy & Maintain Credit	**30.0**
Liability Matching portfolio	**60.0**
Liability Driven Investment and Cash	60.0
Total	**100.0**

The Trustees review the asset allocation at each meeting and consider whether rebalancing is needed. The Trustees take advice on where to disinvest/invest as cashflows require (with the exception of costs/income accruing in the pooled funds and some cashflows within the Liability Matching portfolio, which are added/subtracted automatically).

The planned asset allocation strategy was determined with regard to the actuarial characteristics of the Scheme, in particular the strength of the funding position and the liability profile. The Liability Matching Portfolio when allowing for the Buy and Maintain Credit aims to provide interest rate and inflation protection broadly in line with 95% of the liabilities on a self-sufficiency style basis.

The planned asset allocation strategy was based on the assumption that equities and corporate bonds would outperform gilts over the long term. However, the Trustees recognise the potential volatility of these asset classes, particularly relative to the Scheme's liabilities. When choosing the Scheme's planned asset allocation strategy, the Trustees considered written advice from their investment advisers and also consulted with the sponsoring employer.

RISK MEASUREMENT AND MANAGEMENT

The Trustees recognise that the key risk to the Scheme 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 a deterioration in the Scheme'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 Scheme's immediate liabilities ("cash flow risk"). The Trustees and their advisers will manage the Scheme's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustees ("manager risk"). This risk is considered by the Trustees and their advisers both upon the initial appointment of the fund managers 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 Scheme's investment strategy.
- The possibility of failure of the Scheme's sponsoring employer ("covenant risk"). The Trustees and their advisers considered this risk when setting 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.

Having set an investment objective which relates directly to the Scheme's liabilities and having implemented it, the Trustees' policy is to monitor, where possible, these risks periodically. The Trustees receive periodic reports showing:

- Performance of individual fund managers versus their respective targets.
- Any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustees.

IMPLEMENTATION

The Scheme's investment manager is Legal & General Investment Management ("LGIM"). The managers' objectives are as follows:

- LGIM equity funds: to produce a return in line with the return of the benchmark for each pooled fund invested in.
- LGIM Maturing Buy & Maintain Funds: The objective of the fund is to capture the credit risk premium within a globally diversified portfolio of predominantly investment grade credit and to preserve value over the course of the credit cycle by avoiding defaults and securities experiencing a significant deterioration in credit quality.
- LGIM Liability Matching Portfolio: the portfolio invests in the LGIM Maturing Buy & Maintain Credit Funds (detailed above), a range of leveraged and unlevered gilt funds and a liquidity fund. The liquidity fund is managed actively to outperform the Sterling Overnight Index Average (SONIA) gross of fees. The overall objective of the Liability Matching Portfolio is to provide interest rate and inflation protection broadly in line with the funding level on a self-sufficiency style basis.

In September 2025, the Scheme entered into LGIM's Enhanced Service Agreement Light which delegates the management of the Scheme's Liability Matching Portfolio to LGIM in line with the Scheme's overall hedge target. Under this agreement, LGIM can automatically adjust assets for latest market conditions and fund rebalancing events. LGIM also provides ongoing monitoring and management of assets to the Scheme's target hedge ratio and manages leverage to utilise or distribute cash by rebalancing events or as instructed by the Trustees.

GENERAL

It is the Trustees' policy to consider:

- A full range of asset classes, including alternative asset classes
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class in the planned asset allocation strategy.
- The suitability of different styles of investment management and the option of manager diversification.
- The need for appropriate diversification both across asset classes and within asset classes.

GOVERNANCE

The Trustees are responsible for the investment of the Scheme 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 their role.
- Select and monitor planned asset allocation strategy.
- Appoint and monitor investment advisers and investment managers.
- Set the investment manager structure for implementing the investment strategy
- Select direct investments (see below).

Insurance Company/Investment Manager

- Operate within the terms of this statement, as far as is practical.
- Notify the Trustees of any significant changes to the funds or investment process for the investment managers available to the Trustees.

Investment Adviser

- Advises on all aspects of the investment of the Scheme assets, including implementation.
- Advises on this statement.
- Provides required training.

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with 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 their direct investments and to obtain written advice about them at regular intervals. When deciding whether or not to make any new direct investments the Trustees will obtain written advice.

The written advice will consider the issues set out in the Occupational Pension Schemes (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

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

The Trustees expect the investment managers to manage the assets under the terms of the Trustees' policy and to give effect to the principles in this statement so far as is reasonably practical.

The investment managers also arrange for custody of the assets underlying the Scheme's investment arrangements with appropriate custodians. The custodians provide safekeeping for all the Scheme's assets and perform the administrative duties attached, such as the collection of interest and dividends and dealing with corporate actions.

The investment managers are remunerated on an *ad valorem* fee basis. This structure has been chosen by the Scheme Trustees as representing value for services received. The charges have been negotiated to ensure competitiveness and are reviewed regularly. In addition, the investment managers pay commission to third parties on any trades they undertake in the management of the assets.

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.

Environmental, Social and Governance

In setting the Scheme's 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. This includes 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 Trustees consider this risk by taking advice from their investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.

In order to identify and assess climate change the Trustees have received training on climate change and its associated risks and opportunities and considered the possible short, medium and long-term effects of climate change on the Scheme's objectives and its operations.

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

- The Scheme's 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.
- The Scheme's asset managers demonstrating how they have considered short and long-term climate change risks and opportunities when reporting on their portfolios.

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

Arrangements with Investment Managers

The Trustees will 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. This includes monitoring the extent to which investment managers:

- make decisions based on assessments about medium- to long-term financial performance of the underlying assets; and
- engage with issuers of the underlying assets in order to improve their performance in the medium- to long-term.

The Trustees will be supported in this monitoring activity by their investment adviser.

The Trustees receive at least quarterly reports and verbal updates from the investment adviser 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 assess the investment managers over 3-year periods.

The Trustees will also receive annual stewardship reports on the monitoring and engagement activities carried out by their investment managers, which will support the Trustees in determining the extent to which the Scheme's policies have been followed throughout the year.

The Trustees will share the policies, as set out in this SIP, with the Scheme's investment managers, and request that the investment managers review and confirm whether their approach is in alignment with the Trustees' policies.

Before appointment of a new investment manager, the Trustees review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees' policies.

As the Scheme predominantly invests in pooled funds, the Trustees have limited direct influence on the investment holdings, processes and policies in place. However, the Trustees will encourage managers to improve their practices where possible, while acknowledging that in practice the managers may face limitations in fully aligning their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors.

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 investment 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 periodically, and at least every three years.

The Trustees do not regularly monitor investment managers against non-financial criteria of the investments made on their behalf.

Cost Transparency

The Trustees recognise the importance of monitoring the level of investment costs incurred in the management of the Scheme's assets and the impact these can have on the value of the assets.

Cost Transparency

The Trustees are aware of the importance of monitoring their 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, there are a number of other costs incurred by their investment managers that can increase the overall cost.

The Trustees will collect cost transparency reports on a bi-annual basis covering all of their investments and ask that the investment managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This will allow the Trustees to understand exactly what they are paying their investment managers.

Portfolio Turnover

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 reasonable level of transaction costs is acceptable as 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.

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment manager's fund holdings change over a year. The Scheme's investment adviser will monitor this on behalf of the Trustees as part of the manager monitoring they provide to the Trustees and will flag to the Trustees where there are concerns.

Evaluation of Performance and Remuneration

The Trustees are open to investment managers implementing performance related fees if these are suitable for the Scheme and are aligned with the objectives of the Scheme.

Stewardship – Voting and Engagement

The assets are held through direct investments with LGIM.

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 Scheme invests, as ultimately this creates long-term financial value for the Scheme and its beneficiaries.

The Trustees regularly review the suitability of the Scheme's appointed investment managers and take advice from their investment adviser with regard to any changes. This advice will include consideration of broader stewardship matters and the exercise of voting rights by the appointed investment managers. If an incumbent investment manager is found to be falling short of the standards the Trustees have set out in their policy, the Trustees will undertake to engage with the investment manager and seek a more desirable position but may look to replace the investment manager.

The Trustees will review the stewardship activities of their asset managers on an annual basis, covering both engagement and voting actions.

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

It is the expectation of the Trustees that the Scheme's investment managers will actively monitor environmental, social and governance risks within the investment, providing transparency on engagement and voting actions with respect to mitigating these risks as appropriate.

Where voting is concerned, the Trustees expect their investment managers to recall stock lending as necessary, in order to carry out voting actions.

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

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy the Trustees do not explicitly 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 matters (defined as "non-financial factors"[1]).

INVESTMENT ADVISER

Aon Investments Limited has been selected as investment adviser to the Trustees. It operates under an agreement to provide a full service designed to ensure that the Trustees are fully briefed both to take the decisions they take themselves and to monitor those they delegate. Aon Investments Limited is paid a fee on a time-cost basis, although fixed fees may be negotiated for specific projects.

Appendix

DB Funds

LGIM	Performance target	Benchmark Index	Investment Characteristics
All World Equity Index	To match the benchmark return as closely as possible	FTSE All-World NetTax Index	The fund employs an index tracking strategy, aiming to replicate the performance of its benchmark. LGIM follow a pragmatic approach to managing index funds, either investing directly in the securities of that index, or indirectly through other LGIM funds. The fund may also hold index and single stock futures for efficient portfolio management.
All World Equity Index (GBP Hedged)	To match the benchmark return as closely as possible	FTSE All-World NetTax Index - GBP Hedged	The fund employs an index tracking strategy, aiming to replicate the performance of its benchmark. LGIM follow a pragmatic approach to managing index funds, either investing directly in the securities of that index, or indirectly through other LGIM funds. The fund may also hold index and single stock futures for efficient portfolio management. The developed market currency exposure, except where arising from holdings in emerging market securities denominated in developed market currencies (e.g. ADRs/GDRs), is hedged back to sterling. Currency hedging is achieved by selling forward for approximately one month the relevant currency exposure of the fund. Currency exposure of any emerging markets will not be hedged.
LDI Pooled Funds	To match the benchmark return as closely as possible	n/a	The LDI funds are comprised of unlevered gilts, leveraged gilts, green gilts, index linked gilts and swaps. The overall objective is to provide interest rate and inflation protection broadly in line with 95% of liabilities on a self-sufficiency style basis when allowing for the Buy & Maintain Credit.
Maturing Buy & Maintain Credit	To provide investors with credit risk exposure	n/a	The fund may achieve all or a significant amount of its exposure by purchasing shares in the LGIM Maturing Buy & Maintain Credit Fund which is a UCITS Compliant SICAV sub-fund. The underlying fund invests predominantly in a variety of US dollar, euro and sterling denominated fixed interest instruments and related derivatives. Although the fund currently limits the use of derivatives to efficient portfolio management, it reserves the right to use them for investment purposes in future. Currency and interest rate exposures which are derived from non-sterling securities may be hedged back to Sterling. The fund has a duration range of +/-1 year relative to the Markit iBoxx Sterling non-gilt Index. The fund can allocate up to 100% in AAA-rated sovereign and supranational debt or investment grade credit. The fund may hold 10% in sub investment grade credit.
Sterling Liquidity Fund	To offer access to liquidity whilst providing capital stability	SONIA	The principal investment objective of the SLF is to provide capital stability, liquidity and income through investment in a diversified portfolio of high credit quality short term fixed income and variable rate securities including but not limited to certificates of deposit, fixed and floating rate notes, fixed rate commercial paper and bonds listed or traded on one or more recognised exchanges.