Clifford Chance Pension Scheme – Final Salary 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 Final Salary section of the Clifford Chance Pension Scheme. The Trustee maintains a separate Statement for the Money Purchase section. This Statement replaces the previous Statement dated September 2024.

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

The effective date of this Statement is March 2025. 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.

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. The advice takes into account the suitability of investments, including the need for diversification given the circumstances of the Scheme and the principles contained in this Statement. This advice was provided by Lane Clark & Peacock LLP (“LCP”), the Scheme’s investment adviser for the Final Salary section, whom the Trustee believes to be suitably qualified and experienced to provide such advice.

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 Final Salary section of the Scheme are:

- “funding objective” - to ensure that the Scheme is fully funded using assumptions that contain a modest 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 (as assessed on a gilt basis) is expected to improve. The Trustee will take into account the strength of the employer’s covenant when determining the expected improvement in the solvency position of the Scheme.

4. Choosing Investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Final Salary section of the Scheme, its cashflow requirements, the funding level of the Scheme and the Trustee's objectives.

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

The Trustee exercises powers of investment (or delegation where these powers have been delegated to a fund 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.

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.

Assets held to cover the Final Salary section of 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. These include an allocation to an LDI portfolio, in which the value of the investments are expected to move in a similar way to a proportion of the value of the Scheme's technical provisions, for changes in long-term interest rates and inflation expectations.

The assets of the Final Salary section of the Scheme are invested predominantly on regulated markets (with investments not on 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 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 asset allocation of the Scheme. The Trustee therefore retains responsibility for setting asset allocation for the Scheme. The Trustee takes expert advice as required from professional advisers.

The Trustee reviews the investment strategy of the Final Salary section of the Scheme following each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). The Trustee takes written advice from professional advisers regarding an appropriate investment strategy for the Scheme.

The Trustee last carried out a review of the investment strategy in 2022, and the early parts of 2023, in co-ordination with the triennial actuarial valuation of the Scheme. The Trustee continues to keep the strategy under review.

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 appropriately diversified investments amongst other factors.

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 with its advisers to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and 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 financial performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this with its advisers when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, 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.

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 key investment risks are recognised as arising from asset allocation. These are assessed triennially in conjunction with the actuarial valuation of the Scheme, following which the Trustee takes advice on the continued appropriateness of the existing investment strategy.

Risks associated with changes in employer covenant are assessed by regular reports from the employer to the Trustee on employer finances. Although there has not to date been an event which potentially alters the creditworthiness of the sponsoring employer, the sponsoring employer has undertaken to notify the trustee of any such event, and in particular to notify the Trustee 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 Trustee will re-consider the continued appropriateness of the Scheme's existing investment strategy.

The Trustee monitors the risks arising through the selection or appointment of fund managers on a quarterly basis via investment monitoring reports prepared by their professional advisors. Expected deviation from the benchmark (for a passive manager) or out-performance target (for an active manager) is detailed in the appendix of this Statement. The Trustee has appointed LCP to alert them on any matters of material significance that might affect the ability of each fund manager to achieve its objectives.

The Trustee acknowledges that investment returns achieved outside the expected deviation (positive or negative) may be an indication that the investment manager is taking a higher level of risk than indicated.

For due diligence purposes the Trustee meets on a regular basis to discuss investment issues.

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 fund are responsible for the appointment and monitoring of the custodian of the underlying assets.

9. Expected Returns on Assets

The expected return on the Final Salary section of the Scheme's assets will be monitored and will be directly related to the Scheme's investment objectives. The best estimate return of the investment strategy is believed to be capable of exceeding, in the long run, the overall required rate of return assumed in the Scheme Actuary's actuarial valuation report in order to reach a fully funded status under the agreed assumptions.

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

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 (either through the sale of direct holdings of stocks, bonds etc. or the sale of units in pooled funds).

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 managers that have appropriate skills and processes to do this.

The Trustee does not take into account any non-financial matters (ie 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.

12. Stewardship

The Trustee recognises its responsibilities as an owner 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 seeks to appoint investment managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council.

The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations. The Trustee expects the managers to undertake voting and engagement in line with its stewardship policies, considering the long-term financial interests of investors.

As the Scheme's investments are via pooled funds, the Trustee does not monitor or engage directly with issuers or other holders of debt or equity.

The Trustee monitors managers' activities in relation to ESG factors, voting and engagement on a regular basis. The Trustee seeks to understand how managers are implementing their stewardship policies in practice to check that their stewardship is effective and aligned with the Trustee's expectations.

The Trustee has selected some priority ESG themes to provide a focus for its monitoring of investment managers' voting and engagement activities. The Trustee's current priorities are climate change, diversity, equity & inclusion, and corporate transparency.

The Trustee reviews the themes regularly and updates them if appropriate. The Trustee communicates these stewardship priorities to its managers and also confirms its more general expectations in relation to ESG factors, voting and engagement. If the monitoring identifies areas of concern, the Trustee will engage with the relevant manager to encourage improvements.

13. 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.

14. Voluntary Contribution ("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 Statement of Investment Principles for the Money Purchase section.

………………………………………… Director for Clifford Chance Pension Trustees Ltd
Signature

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Date

………………………………………… Director for Clifford Chance Pension Trustees Ltd
Signature

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Date

Clifford Chance Pension Scheme
Appendix to Statement of Investment Principles

This Appendix sets out the Trustee's current investment strategy for the Final Salary Section of the Scheme and is supplementary to the Trustee's Statement of Investment Principles (the "attached Statement").

The Trustee's investment strategy has been established to maximise the likelihood of achieving the primary objectives set out in the attached Statement. The details are laid out below.

1. Asset Allocation

The Trustee has agreed to invest the Scheme's assets in line with the long term asset allocation, as set out below. Investment of new contributions will be made in order to target this allocation.

Asset Class	Weight	Range
Global Equities	10.0%	+/-5%
Diversified Growth Funds	15.0%	+/-5%
Property	5.0%	+/-2.5%
Securitised Credit	10.0%	+/-5%
LDI*	50.0%	+/-10%
Infrastructure	10.0%	+/-5%

* The Trustee is currently targeting interest rate and inflation hedge ratios of c100% of the Scheme's liabilities, as discounted on a gilts + 0.5% pa basis.

2. Investment Management Arrangements

The following describes the mandates given to the fund managers within each asset class.

2.1 Global Equities

The Trustee invests in global equities through a passive index tracking fund

Fund Name	Benchmark	Tracking error (pa)	Target*
L&G World Equity Index Fund	FTSE World Index	+/- 0.5% for two years in three	To track the benchmark gross of fees

2.2 Diversified Growth Funds (DGFs)

Fund	Benchmark	Target Risk (pa)	Target
Nordea Stable Return Fund	1 Month SONIA	1 month 20% Value at Risk limit (at a 99% confidence interval)	To outperform the benchmark by 4% pa (gross of fees) over 3 year rolling basis
Ruffer Absolute Return Fund	UK Base Rate	N/A*	To achieve a positive return (net of fees) over any 12 month period
Newton Real Return Fund	1 Month SONIA	N/A*	To outperform the benchmark by 4% pa (gross of fees) over 5 year rolling basis

*The Ruffer Absolute Return Fund and the Newton Real Return Fund do not have formal risk targets.

Note that the Scheme's investments in the three DGF funds are held inside the bespoke pooled fund described in section 2.5 below.

2.3 Securitised Credit

Fund	Benchmark	Target
Aegon European ABS Fund	Market weighted combination of Bloomberg Barclays Capital Euro ABS fixed and floating indices (Hedged to GBP)	To outperform the benchmark by 0.5-1.0% pa (gross of fees, in EUR) over the longer term.

Note that the Scheme's investment in the Aegon European ABS Fund is held inside the bespoke pooled fund described in section 2.5 below.

2.4 Property

Fund	Benchmark	Target
M&G Property Fund*	IPD UK Pooled Property Fund All Balanced Index	To outperform the benchmark by 0.5% pa (net of fees) over a 3 year rolling basis.
Invesco Global Real Estate Fund	7% pa	To return 6-8% pa, gross of management fees.

* The Trustee has submitted a full redemption request to the M&G Property Fund.

2.5 LDI

The Scheme accesses LDI via a bespoke pooled fund managed by Columbia Threadneedle Investments ("CTI"), where it is the sole investor.

Fund	Benchmark	Target
CTI LDI Private Sub-Fund	Return on a proportion of the LDI benchmark, which is intended to match movements in the Technical Provisions.	To hedge a portion of the Scheme's liabilities against changes in interest rates and inflation expectations.

2.6 Infrastructure

Fund	Benchmark	Target
IFM Investors Global Infrastructure Fund	10% pa	To return 8-12% IRR*, net of management fees but gross of any incentive fees.
JPMorgan Infrastructure Investments Fund	10% pa	To return 8-12% IRR, net of management fees but gross of any incentive fees.

*IRR is Internal Rate of Return

2.7 Cash balances

The Employer pays the pensioner payroll and expenses. As such the cash balance is carefully monitored by the Scheme Administrator, but normally kept to a minimum level so that the Scheme is close to being fully invested.

2.8 Re-balancing arrangements

In order to ensure the assets are re-balanced in line with the Asset Allocation Strategy, the Investment Consultant notifies the Trustee of the balance of the assets on a quarterly basis. Where the allocation falls outside the target weighting ranges, corrective action will be taken unless, taking the advice of the Investment Consultant, the Trustee confirms it is not necessary to do so.

3. Fee structure for advisers and managers

3.1 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 significant jobs such as asset and liability modelling), 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.

3.2 Investment managers

Where the manager is seeking to add value in excess of the target performance, the investment manager, in the case of certain mandates, is remunerated as a set percentage of the assets under management. This is in keeping with market practice.

3.3 Summary of investment management fee arrangements

Asset Class	Fund Name	Fee Scale (pa)
Global Equity	Legal & General World Equity Index Fund	0.11%
DGF	Nordea Stable Return Fund	Tiered fee scale: 0.57% on the first £50m 0.52% on the next £50m 0.47% thereafter
	Ruffer Absolute Return Fund	Tiered fee scale: 1.20% on the first £15m 1.10% on the next £10m 1.00% on the next £25m 0.90% thereafter
	Newton Real Return Fund	0.65%
Property	M&G Property Fund	0.55%
	Invesco Global Real Estate Fund	0.85%
Securitised Credit	Aegon European ABS Fund	Tiered fee scale: 0.25% on the first £25m 0.23% on the next £75m 0.20% thereafter
LDI	Relevant value of the gilts only hedge	0.03%
Infrastructure	IFM Investors Global Infrastructure Fund	0.77% with a performance-related fee of 10% of profits with a hurdle rate of 8% pa (after fees), calculated on an annual basis. The performance fee includes a “catch-up” provision.
Infrastructure	JPMorgan Infrastructure Investments Fund	0.82% with a performance-related fee of 15% (based on local currency performance) when a hurdle rate of 7% pa (after fees) over a three-year period has been met. The performance fee will apply only to net returns in excess of 7% pa and is capped when returns reach 13.5% pa.