Allen & Overy Pension Scheme
Statement of Investment Principles

Defined Benefit Section

In this Statement of Principles references to the Allen & Overy Pension Scheme (the "Scheme") refer only to the Defined Benefit Section.

Investment Objective

The Trustee's aim is to invest the assets of the Scheme with an objective to deliver the benefits promised to members as far as can be reasonably expected. In setting the investment strategy, the Trustee first considered a range of asset allocations modelled by Aon that it could adopt in relation to the Scheme's liabilities. The asset allocation strategy it has selected is designed to achieve a higher return than the lowest risk strategy whilst maintaining a prudent approach to meeting the Scheme's liabilities.

In setting the investment strategy, the Trustee has taken into account the Scheme's liability profile and adopted a policy of holding 52.5% in assets which broadly match the liabilities. This takes the form of Liability Driven Investment (LDI) funds, which may be invested in swaps and other hedging instruments. The remainder of the Scheme's assets are invested in a diversified portfolio of return seeking assets.

The current strategy was set following a report and advice from the Trustee's investment advisers. The Trustee also consulted the employer regarding the change of investment strategy.

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 with 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.

Strategy

The Scheme's high level investment strategy is outlined below. Details are reflected in the benchmark outlined in Appendix 1.

Asset Class	Weighting %	Range %
Return Seeking Assets	***47.5***	***42.5 – 52.5***
Matching Assets	***52.5***	***47.5 – 57.5***
Total Fund	**100.0**	

The Trustee monitors the investments relative to the stated ranges on a quarterly basis. Should any ranges be breached, the Trustee will take advice from its investment advisers on a recommended course of action which may include rebalancing or taking no action as appropriate.

When advising on the current investment strategy, Aon modelled the Scheme's assets and liabilities for a range of alternative asset allocation strategies. When setting the current strategy, the Trustee considered written advice from its adviser and, in doing so, addressed the following:

- The need for a more efficient strategy that provides a closer and more flexible match for the liabilities of the Scheme.
- The need to consider a full range of asset classes including private equity, property, currency and hedge funds.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

In addition, the Trustee also consulted with the Employer when setting this strategy.

Implementation

Aon Solutions UK Limited ("Aon") has been selected as investment advisers to the Trustee in relation to the funds within the Defined Benefit Section. Aon operates under an agreement which provides for analysis of the Scheme's investments within the Defined Benefit Section, annual reviews of this Statement and periodic meeting attendance. Additional projects such as investment strategy reviews may also be commissioned from them from time to time. The Trustee is satisfied that Aon has the knowledge and experience required by the Pensions Act 1995 for the purposes of acting as investment advisers.

The Trustee has invested in units or shares of collective investment funds managed by the investment managers listed in Appendix 1.

All day-to-day decisions regarding these investments have been delegated to the managers.

The collective investment funds issued by the above investment managers are direct investments by the Trustee, which were made having taken written advice as to its suitability, as required by Section 36 of the Pensions Act 1995. When considering the ongoing suitability of this investment, the Trustee will consider the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4).

The duties of the investment managers also include:

- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Voting and corporate governance in relation to the investments held.

The Trustee recognises that social, environmental and ethical considerations, along with voting rights, are among the factors which investment managers should take into account, where relevant, when selecting investments for purchase, retention or sale. Given the Scheme invests in pooled funds, the Trustee accepts that the assets are subject to the investment managers' own policies on the above and that it is not usually possible for the Trustee to directly influence these policies.

Risk

The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustee has 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 Trustee and its 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 Trustee and its 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 Trustee ("manager risk"). This risk is considered by the Trustee and its 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 Trustee and its advisers considered this risk when setting the Scheme's investment strategy.
- The possibility of failure of the Scheme's sponsoring employer ("covenant risk"). The Trustee and its advisers considered this risk when setting investment strategy and explicitly took it into consideration as part of the January 2017 valuation. The Trustee 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 Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable provisions are included in all contracts for professional services received. The LDI investment introduces specific operational risks, such as counterparty risk, and the Trustee has received advice around the quality of risk controls in place at the specific underlying manager.

Due to the complex and interrelated nature of these risks, the Trustee considers 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 Trustee's policy with regard to measurement and management of these risks is to monitor, where possible, these risks periodically and to take appropriate action as necessary to manage these risks. In order to facilitate this monitoring, the Trustee receives periodic reports showing:

- Actual funding level versus the Scheme specific funding objective.
- Performance versus the Scheme investment objective.

- 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 Trustee.

Responsible Investment

Financially Material Considerations

In setting the Scheme's defined benefit investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries; seeking the best return that is consistent with a prudent and appropriate level of risk. 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 Trustee considers this risk by taking advice from its investment advisers when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.

The Trustee further acknowledges 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.

The Trustee is taking the following steps to monitor and assess ESG-related risks and opportunities:

- The Trustee communicates the expectation to its investment managers that they should take into account ESG considerations in the selection, retention and realisation of investments.
- The Trustee will undertake periodic training on Responsible Investment to understand how ESG factors, including climate change, could impact the Scheme's investment strategy.
- As part of ongoing monitoring of the Scheme's investment managers, the Trustee will use ESG ratings information provided by its investment consultants, where relevant and available, to monitor the level of the Scheme's investment managers' integration of ESG.
- In fund selection exercises, ESG integration and stewardship quality will be a topic of explicit discussion between the Trustee, the advisers and prospective investment managers.
- When reviewing asset allocation and strategic risks, the Trustee considers the implication of ESG risks, including climate change, using the available modelling tools, including deterministic scenarios. In practice, this involves using models to project-forward expected asset class and liability returns under a range of different scenarios, to assess the potential impact on the Scheme's funding level of various risk factors, including ESG-related risks.
- The Trustee will include ESG-related risks, including climate change, on the Scheme's risk register as part of ongoing risk assessment and monitoring.

Stewardship – Voting and Engagement

The Trustee recognises the importance of its 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 this ultimately this creates long-term financial value for the Scheme and its beneficiaries. The Trustee regularly reviews the suitability of the Scheme’s appointed asset managers and takes advice from its investment consultant with regard to any changes. 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 trustee has set out in its policy, the Trustee undertakes to engage with the manager and seek a more sustainable position but may look to replace the manager.

The Trustee reviews the stewardship activities of its asset managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of the Trustee's policies to those of the Scheme’s asset managers and ensure its managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's 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 and assets to promote good corporate governance, accountability, and positive change.

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

The Trustee expects the Scheme’s appointed asset managers to comply with the United Nations Global Compact and, additionally, the Trustee will identify key areas of concern (including, but not limited to, climate change risks) and will level scrutiny on its investment managers accordingly. It is the expectation of the Trustee that the Scheme’s asset managers will prioritise and actively monitor for these risks within the investment, providing transparency on engagement and voting actions with respect to mitigating these risks as appropriate.

The transparency for voting should include voting actions and rationale with relevance to the Scheme.

The Trustee recognises that its collaborative behaviours can further work to mitigate the risks identified above, for the Scheme.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, they 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.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's defined benefit investment strategy the Trustee does 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]").

[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

Governance

The Trustee is responsible for the investment of the Scheme’s assets. The Trustee takes some decisions themselves and delegates others. When deciding which decisions to take themselves and which to delegate, the Trustee has taken account of whether they have the appropriate training and access to expert advice in order to be able to take informed decisions. The Trustee has established the following decision making structure:

<table>
<tr><td colspan="2">Trustee
▪ Sets structures and processes for carrying out its role.
▪ Selects and monitor planned asset allocation strategy.
▪ Selects direct investments (see below).
▪ Monitors direct investments.
▪ Monitors fund managers on the basis of advice from investment advisers.
▪ Makes ongoing decisions relevant to the operational aspects of the Scheme’s investments.</td></tr>
<tr><td>Investment Advisers
▪ Advise on all aspects of investment of the Scheme’s assets, including suitability of the benchmark, implementation and regular monitoring.
▪ Advise on the contents of this Statement.
▪ Provide any required training.</td><td>Fund Managers
▪ Operate within the terms of this statement and their written contract.
▪ Select individual investments having regard for suitability and diversification.</td></tr>
</table>

Arrangements with asset managers

The Trustee regularly monitors the Scheme’s investments to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustee's policies, including those on non-financial matters. This includes monitoring the extent to which 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.

The Trustee is supported in this monitoring activity by its investment consultant.

The Trustee receives 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 Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives and assesses the asset managers over 3-year periods.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by its asset managers which supports the Trustee in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Trustee shares the policies, as set out in this SIP, with the Scheme's asset managers, and requests that the asset managers review and confirm whether their approach is in alignment with the Trustee's policies.

Before appointment of a new asset manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee 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 Trustee will express its expectations to the asset managers by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

The Trustee believes that having appropriate governing documentation, setting clear expectations to the asset managers by other means (where necessary), and regular monitoring of asset managers' performance and investment strategy, is in most cases sufficient to incentivise the asset managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

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

There is typically no set duration for arrangements with asset managers, although the continued appointment for all asset managers will be reviewed periodically, at least every three years. Where closed ended vehicles are used, the duration may be defined by the nature of the underlying investments.

The Trustee believes it has a duty as institutional investors to invest in a responsible manner and where appropriate will query managers on the rationale for holding positions in companies who contribute significant negative externalities to society, regardless of whether the action may be financially material.

Costs Transparency

The Trustee is aware of the importance of monitoring its asset managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that, in addition to annual management charges, there are a number of other costs incurred by its asset managers that can increase the overall cost incurred by its investments.

The Trustee collects annual cost transparency reports covering all of its investments and asks that the investment managers provide this data in line with the appropriate Cost Transparency Initiative (“CTI”) template for each asset class. This allows the Trustee to understand exactly what it is paying its investment managers.

The Trustee will only appoint investment managers who offer full cost transparency via the CTI templates to manage assets of the Scheme. This will be reviewed before the appointment of any new managers and includes the existing managers held by the Scheme.

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment managers’ fund holdings change over a year. The Scheme’s investment consultant monitors this on behalf of the Trustee as part of the manager monitoring they provide to the Trustee and flags to the Trustee where there are concerns.

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

The Trustee evaluates the performance of its asset managers relative to their respective objectives on a regular basis via their investment monitoring reports and updates from the asset managers. The Trustee also reviews the remuneration of the Scheme’s asset managers on at least a triennial basis to ensure that these costs are reasonable in the context of the type and balance of investments held.

The Trustee assesses value for money received from its asset managers on a regular basis by benchmarking its asset managers relative to the wider market. This enables the Trustee to have a detailed understanding of its overall costs irrelevant of net of fees performance and identifies opportunities to challenge its asset managers where a particular manager is an outlier.

The Trustee reviews the remuneration of its asset managers on a case by case basis as part of the appointment of new managers and the existing asset managers held by the Scheme.

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 Trustee's investments are direct investments, as are the AVC facilities made available to members of the Defined Benefit Section (detailed in Appendix 2).

The Trustee's policy with regard to such direct investments is to review their suitability on a periodic basis and to obtain written advice as to their continued suitability. The Trustee will also obtain such written advice when considering any new direct investments. The day-to-day decision making relating to such investments is delegated to the fund managers or policy providers.

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 Trustee (or, to the extent delegated, by the fund managers or policy providers) 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 Trustee believes that its investment adviser has the knowledge and experience required under the Pensions Act 1995 to advise on the suitability of any such investments.

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

Jeremy Parr

Chair of Trustee Directors

14 February 2024

Date

On behalf of the Allen & Overy Pension Trustee Limited

ALLEN & OVERY PENSION SCHEME
STATEMENT OF INVESTMENT PRINCIPLES
APPENDIX 1

Investment Strategy & Implementation Details

Investment Managers

The Scheme invests with the investment managers listed below:

- BlackRock Investment Management (UK) Limited (BlackRock)
- Legal & General Assurance (Pensions Management) Limited (L&G)
- M&G Investment Management Limited (M&G)
- Insight Investment Funds Management Ltd (Insight)
- Adept Investment Management plc (Aon)

Investment Strategy

The Scheme's investment strategy is outlined in the table below:

Asset Class	Weighting %	Benchmark	Range %
Return Seeking Assets	***47.5***		***42.5 – 52.5***
Global Equities	***17.0***		***12.0 – 22.0***
L&G	*4.2*	*FTSE World Index*	*-*
L&G	*12.8*	*FTSE World Index GBP Hedged*	*-*
Illiquid Alternatives	***5.5***		***0.5 – 10.5***
BlackRock Property	*-*	*IPD Property Index*	*-*
M&G Inflation Opportunities	*5.5*	*RPI +2.5% p.a.*	*-*
Liquid Credit	***25.0***		***20.0 – 30.0***
Insight High Grade ABS	*15.0*	*1 Month SONIA p.a.*	*-*
Adept 18 – Sustainable Multi-Asset Credit	*10.0*	*Composite benchmark of 1/3rd each of ICE BofA 1-10 Year Global Corporate index; ICE BofA Global High Yield, and ICE BofA US Emerging Markets Liquid Corporate Plus Index all hedged back to GBP*	*-*
Matching Assets	***52.5***		***47.5 – 57.5***
Insight LDI	*52.5*	*Target a 95%[2] hedge of the Scheme's liabilities on a Long Term Funding Target basis.*	
Insight Liquidity[1]			
L&G Cash	*0.0*	*1 Month SONIA p.a.*	
Total Fund	**100.0**		

1: May include cash and other fixed income assets managed to a SONIA target.
2: The Matching Assets are to target a 95% hedge of the Scheme's liabilities, recognising that other of the Scheme's assets provide additional elements of hedging.

The target weighting above represents the new interim strategy of the Scheme as agreed in Q3 2023.

The Trustee may also invest in other (predominantly return seeking) alternative assets from time to time. If the Trustee does revise its asset allocation for the Defined Benefit Section strategy to include investment in such other assets, it will share its revised asset allocation strategy with the Scheme's sponsoring employer

Implementation Details

Matching Assets

The Scheme has selected Insight to manage the Scheme's LDI portfolio. The aim of the portfolio is to mitigate interest rate and inflation risk experienced with valuing the Scheme's liabilities, as measured on a Long Term Funding Target basis. The portfolio targets a 95% hedge on interest rates and inflation risk.

The funds invest in a suite of pooled funds that may include leveraged Gilts or swaps. The mandate includes a portfolio of cash and fixed income assets to sit alongside the LDI portfolio to provide liquidity as needed, which is managed to a target linked to SONIA.

Return-Seeking Assets

Equity

The Scheme holds global equities which are passively managed by L&G. The Scheme invests 75% of the equity allocation in a GBP hedged share class to reduce currency risk, and 25% of the equity allocation will be invested in an unhedged share class.

Liquid Diversifiers

The DGF investment with BlackRock utilises a multi-asset flexible investment approach in which the manager dynamically adjusts the asset allocations within the fund. This allows the Scheme to access a wide range of alternative asset classes with the benefit of the fund manager making the asset allocation decisions and taking short term tactical positions. The fund is designed to produce strong absolute returns and aims to outperform SONIA by 3% per annum.

Illiquid Alternatives

The Scheme has invested in alternative return seeking assets in order to reduce the reliance on equity market and investment manager performance for returns, whilst diversifying investment risk across more asset classes with the aim of reducing the overall risk level of the investment strategy.

The Scheme has invested in the M&G Inflation Opportunities Fund. This fund invests in a range of assets, including index-linked corporate bonds, ground rents and social housing, which have a contractual linkage to inflation, but with a premium to index-linked gilts. The Trustee felt this offered an attractive way to achieve inflation protection in the Scheme, when compared to index-linked gilts, given the low real yields on index-linked gilts.

The Scheme has invested in the BlackRock property fund. This fund invests in a range of UK property assets. The Trustee felt this offered good long term returns and returns linked to the UK property market as a whole.

Liquid Credit

The Scheme has invested in liquid credit to act as a lower risk driver of growth within return seeking assets and provide further diversification of returns.

The Scheme has invested in the Insight High Grade ABS Fund. The fund aims to deliver positive absolute returns in excess of a cash by investing in a portfolio of high quality asset-backed securities (ABS) and corporate floating rate notes (FRNs) and is short dated in nature with a focus on liquidity.

The Scheme has also invested in the Adept Sustainable Multi-Asset Credit Fund. This fund invests across the credit spectrum, rotating across different credit spectrums based on the part of the market cycle. The Trustee invested in the mandate as returns are predominately driven by the returns of sub asset classes and has greater capabilities to express ESG beliefs compared to an absolute return bond mandate.

Fees

L&G, Insight, BlackRock, M&G and Aon are remunerated on a fee basis which is largely related to the value of the policy.

ALLEN & OVERY PENSION SCHEME

STATEMENT OF INVESTMENT PRINCIPLES

APPENDIX 2

AVC Arrangements for members of the Defined Benefit section

The Trustee has set up an arrangement for additional voluntary contributions (AVCs) for members of the Defined Benefit section which is described below, together with details of the principles governing the investment vehicles offered. The funds are now all "Closed" policies which were offered as AVCs in the past. Members who opted to transfer from the Defined Benefit Section to the Defined Contribution Section can still choose to invest in the Prudential and Standard Life investment vehicles in the Defined Contribution Section, subject to the terms and conditions of each vehicle. At retirement, the accumulated value of a Member's AVCs may be used to purchase an annuity.

Provider	**Investment Vehicle**	**Current or Closed**
Norwich Union (previously General Accident)	With-Profits	Closed
Prudential	With-Profits	Closed
Standard Life	Unit Linked	Closed

The with-profits vehicles are designed to provide smoothed medium to long term growth by investing in a range of assets including equities and property. The investment returns are distributed by way of reversionary and terminal bonuses. The objective of a with-profits policy is to provide returns on Members' contributions which at least keep pace with inflation.

The unit linked policy provides a choice of investment options identical to those available within the Defined Contribution section.

The Trustee has chosen the current providers and investment vehicles taking into account their past investment performance, charging structure, flexibility and quality of administration.