Defined Benefit Assets - Statement of Investment Principles

Effective Strategy Date: March 2026

1. Introduction

MMC UK Pension Fund Trustee Limited ("the Trustee"), the corporate trustee of the MMC UK Pension Fund ("the Fund"), has drawn up this Statement of Investment Principles ("the Statement") in order to record the Fund's investment arrangements and the rationale behind them for the defined benefit assets. The investment arrangements for defined contribution assets are contained in a separate statement.

This Statement is designed to comply with the requirements of the Pensions Act 1995 ("the Act") and the Occupational Pension Schemes (Investment) Regulations 2005, as amended from time to time.

As required under the Act, the Trustee has consulted a suitably qualified person by obtaining written advice from Mercer Limited ("Mercer"). In preparing this Statement, the Trustee has also consulted Marsh & McLennan Companies UK Limited ("the Company") as Principal Employer of the Fund.

The Fund has four Sections: the Marsh Section, the Mercer Section, the Sedgwick Section and the JLT Section. The assets and liabilities of each of these Sections are kept separate from each other within the Fund. This separation of the assets and liabilities of the Sections is governed by the Fund rules.

Overall investment policy falls into three parts. First, the strategic management of the assets is fundamentally the responsibility of the Trustee and is driven by its investment objectives. The Trustee has established an Integrated Risk Management Committee to assist with this. Second, in order to implement the agreed investment strategy, the Trustee has established an Investment Committee ("the Committee") and delegated to it certain functions as set out in the Terms of Reference (and the supporting 'terms of reference implementation' document), such as determining the structure of the underlying portfolios. The Trustee receives minutes of the meetings of the Committee. Third, the remaining elements of the policy are part of the day-to-day management of the assets which the Trustee has delegated to professional investment managers.

For the Sedgwick Section, all the liabilities are secured through a buy-in contract with the insurance company Phoenix Life Limited (trading as "Standard Life"). As a result, Standard Life commenced payroll remittances in respect of the Sedgwick Section for payroll due from 1 September 2025. Standard Life is responsible for paying liability cashflows to the Trustee in relation to the insured liabilities. The Sedgwick Section has surplus assets invested in cash funds and private market assets.

For the JLT Section, a proportion of the liabilities are secured through buy-in contracts with the insurance company Prudential Distribution Limited (trading as "Prudential"). Prudential is responsible for paying liability cashflows to the Trustee in relation to the insured liabilities. The JLT Section continues to invest in a mix of Return Seeking Assets and Risk Reducing Assets to cover the pension cashflows associated with the residual liabilities.

References to the delegation of asset management to investment managers applies to all Sections of the Fund: Mercer, Marsh, Sedgwick, and JLT. The Trustee has appointed Mercer as the Trustee's discretionary investment manager to execute the investment policy set by the Trustee and the Committee within a risk management and governance framework determined and overseen by the Committee on behalf of the Trustee.

A proportion of the Fund's assets are invested in bespoke alternative investment funds ("Mercer Funds") in respect of which Mercer Global Investments Europe Limited ("MGIE") acts as the investment manager. In practice, MGIE delegates to third party investment managers, the appointments of which are discussed with the Trustee.

This Statement documents the general principles underlying the Fund's investment policy. Details of how this policy has been implemented are set out in a separate Investment Implementation Policy Document ("IIPD"), which is not part of this Statement.

2. Investment Objectives, Risk and Investment Strategy

2.1 Investment Objectives

The Trustee considers that its objective with respect to the Fund's assets is to invest the assets in such a manner that members' benefit entitlements can be paid as they fall due. To effect this, the Trustee is aiming to achieve and maintain a funding level of at least 100% on a low risk measurement basis.

For the Marsh, Mercer and JLT Sections, the Trustee recognises the need for investment return in order to deliver the above objective. In the case of the Marsh and Mercer Sections the Trustee recognises that the return need is only modest given the funding position. Recognising the strength provided by the Company's covenant, the Trustee is therefore prepared to accept some risk in pursuit of this investment return in a controlled manner by investing, for example, in equities and other return seeking asset classes, and by using active fund managers for certain asset classes. Over the long term, the investment strategy is expected to provide a return above that assumed in the low risk liability measurement.

In July 2025, the Trustee entered into a buy-in contract with Standard Life in respect of the Sedgwick Section. This insurer is authorised by the Prudential Regulation Authority to write contracts of long-term life insurance of this nature in the UK. The contract is a buy-in policy and covers accrued defined benefits for all members of the Sedgwick Section. Under this policy, Standard Life are responsible for meeting the insured pensions payable to this Section's deferred and current pensioner members, including tax-free cash on retirement and transfers out where relevant.

The Sedgwick Section continues to hold assets in cash and liquidity funds in order to help meet ongoing expenses, future costs in relation to the potential wind-up of the Sedgwick Section of the Fund and any other Section related payments. The Sedgwick Section also holds private market assets which are running off and distributions are expected from these funds as they wind down. This was considered an appropriate investment strategy for the Sedgwick Section after the purchase of the buy-in policy but will be reviewed by the Trustee and Company in future to the extent there are expected to be invested assets over the medium term.

2.2 Risk

In setting return-oriented objectives for the assets, the Trustee recognises that the Fund is exposed to a number of risks including, inter alia, market risk, inflation risk, interest rate risk, currency risk, credit risk, counterparty risk and manager risk. These risks introduce a degree of volatility which may mean that, in the short term, the realised return can be significantly above or below the long-term target. Beyond the investment strategy, the Fund is also exposed to a number of other risks, including, but not limited to deterioration in the financial strength of the Company, changes in legislation or regulations, longevity exposure of the Fund's members and legal and administrative risks over the form and payment of benefits. When considering how to manage and monitor the risks to the Fund, the Trustee has taken the time horizon of each Section into account. The Trustee acknowledges that these risks can be financially material to all Sections of the Fund.

For the Marsh, Mercer and JLT Sections, while it is impossible to eliminate risk without making a significant sacrifice to the desired investment return, the Trustee seeks to mitigate risk by:

- Maintaining a diversified portfolio of different assets, both within each asset class and by investment manager.

- Seeking to hedge a proportion of the Fund's interest rate risk and inflation risk using a combination of cash, bonds and derivatives. This is referred to as Liability Driven Investment ("LDI").
- Entering into a longevity hedge for the Marsh and Mercer Sections, which protects these Sections against any unexpected increase in longevity in respect of a proportion of the pensioner liabilities. To support the longevity hedge, assets are held in accounts as collateral with the Section's delegated professional custodians.
- The JLT Section has insured a proportion of the liabilities through two pensioner buy-ins.
- Where appropriate, using collateral to mitigate counterparty risk.
- Adopting a cautious approach in those instances where there is a lack of risk transparency in the underlying investment.
- Monitoring the financial strength of the Company and reducing risk relative to the solvency funding position should the financial strength of the Company deteriorate.
- Monitoring the ongoing funding level of each Section, with a view to altering the investment objective and/or strategy should there be a significant change in the financial health of a particular Section.

For the Sedgwick Section, the Trustee has sought to mitigate these risks to a large extent by investing in a full buy-in contract with Standard Life, although there are various risks that this Section of the Fund is still exposed to:

- Credit risk: The principal risk facing the Trustee and the Fund's members for the Sedgwick Section is that Standard Life may default on its obligations under the buy-in contract to meet accrued benefits (as contracted). Before entering into the contract with Standard Life, the Trustee obtained advice from its covenant and buy-in advisors, and it was a key consideration for the insurer selection process. The policy in place is governed by market solvency requirements and the protections provided by the Financial Services Compensation Scheme.
- Liquidity risk: It is recognised that although the buy-in policy held with Standard Life it could be liquidated in specific and limited circumstances, it is not a liquid investment and is intended to be held for the life of the Fund's Sedgwick Section. The buy-in policy is intended to match the liquidity requirements of the relevant liabilities as exactly as possible, and so the requirement to hold liquid assets to meet these liabilities falls away. A proportion of the residual balance is held in cash and liquidity funds to help support any cashflow requirements that are not covered by the buy-in policy (e.g. fund expenses). The Sedgwick Section still holds other residual assets in private markets which may be difficult to sell quickly or at fair value, especially in stressed market conditions.
- Environmental, Social and Governance risks (including but not limited to climate change): These risks are recognised and considered to be financially material. With the purchase of the Sedgwick Section's buy-in policy, responsibility for management of these risks passed to Standard Life; their ability to manage these risks was considered as part of the insurer selection exercise.
- Run-off risk: The Sedgwick Section's residual private market funds are in run-off. There is a risk that the assets may not be realised at expected values or within anticipated timeframes.

2.3 Investment Strategy

In establishing the investment strategy for the assets, the Trustee has taken into account each Section's liability profile and the financial strength of the Company. It has also considered a wide range of investment classes based on advice from Mercer.

The Trustee has adopted an asset allocation for the Marsh, Mercer and JLT Sections appropriate for controlling the risks identified above and which at the same time offers the prospect for long-term returns above the rate of return assumed by the Scheme Actuary to these Sections of the Fund when calculating the value of the liabilities. This asset allocation consists of return seeking assets ("RSA") and risk reducing assets ("RRA").

Marsh and Mercer Sections

The RSA portfolio includes equities (public and private) and private debt; while the RRA portfolio includes corporate bonds, cash, private debt and LDI.

The strategic investment policy target splits for the Marsh and Mercer Sections are as follows:

Section	Return seeking assets	Risk reducing assets
Marsh	10%	90%
Mercer	10%	90%

Further details on the RSA and the RRA portfolios are included in the IIPD.

The LDI mandate, which is included within each Section's RRA portfolio, hedges a proportion of the interest rate risk and inflation risk inherent in each Section's liabilities. The proportion allocated to LDI is set depending on the proportion of liabilities being hedged and the interest rate and inflation sensitivity of each Section.

The target strategic interest rate and inflation hedge ratios (as a proportion of the 2021 Technical Provisions liabilities, valued on a Gilts Flat basis) for the Marsh and Mercer Sections are as follows:

Section	Interest rate hedge ratio	Inflation hedge ratio
Marsh	90%	90%
Mercer	90%	90%

The target hedge ratios are reviewed on a regular basis.

JLT Section

The JLT Section has insured a proportion of the liabilities through two pensioner buy-ins with Prudential UK (approximately one-quarter of total Technical Provisions liabilities as at 31 December 2025).

The strategic investment policy target splits for the Section's invested assets are as follows:

Asset Class	Target Allocation*
Multi-Asset Credit	15%
Secured Finance	10%
Diversified Growth	15%
LDI	60%

* Excludes pensioner buy-in assets allocation

The LDI mandate hedges a proportion of the interest rate risk and inflation risk inherent in the Section's liabilities.

The strategic hedge ratio target for interest rates and inflation are set out in the table below.

Target interest rate hedge ratio	Target inflation hedge ratio
90%	90%

Includes the pensioner buy-in liabilities.
Hedge ratio on a Gilts Flat basis.

Hedge ratios are reviewed on a regular basis.

Further details on the asset allocation and the interest rate hedging triggers are included in the IIPD.

Sedgwick Section

The Fund holds a buy-in policy with Standard Life for all of the liabilities of the Sedgwick Section.

The invested assets are in respect of residual assets following the purchase of the buy-in contract and include investments in the cash and liquidity funds and private market assets.

3. Day-to-Day Management of the Assets

The Trustee invests the assets of the Fund in a number of pooled, bespoke pooled and segregated portfolios. In selecting managers for each asset category, the Trustee has taken advice from Mercer and has had regard to the perceived capabilities and skills of each manager in those categories. The sub-investment managers have full discretion over the day-to-day management of the assets, within predefined boundaries.

The Trustee has buy-in insurance contracts in place for both the Sedgwick and JLT Sections.

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 policy of the Trustee is to review its direct investments and to obtain written advice about them at regular intervals. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager(s) if this is appropriate. The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005, as amended from time to time, and the principles contained in this statement.

The Trustee and Committee are supported in the above activities by Mercer as adviser and investment manager to the Trustee.

The IIPD provides more detail on these mandates, including the relevant benchmarks.

3.1 Custody

The safe custody of the Fund's invested assets is delegated to professional custodians (either directly or via the use of pooled vehicles). Further details of the custodians are set out in the IIPD.

3.2 Additional Assets

The Trustee makes available a number of investment options for the investment of Additional Voluntary Contributions (AVCs) and bonus waivers but members are now no longer allowed to pay AVCs into the Marsh, Mercer or Sedgwick sections of the Fund. The JLT Section has no active members remaining and therefore no further AVCs. The Trustee's investment policies, as set out in the Defined Contribution Statement of Investment Principles, are applicable to the AVCs. The range of funds is set out in the IIPD.

The Trustee also operates a separate bank account.

4. Investment Policies

4.1 Investment Restrictions

The investment managers have discretion over the investment of the assets, subject to the restrictions set out in their respective investment management agreements ("IMA") or pooled fund guidelines. The Trustee is satisfied that the spread of assets by type and the investment managers' policies on investing in individual securities provide adequate diversification of investments.

Where permitted under their investment guidelines, the investment managers may invest in derivatives including (but not limited to) futures, swaps, gilt repurchase agreements, currency forwards and options.

Other than to the extent inherent in pooled funds, managers are not permitted to invest in securities (including debt instruments) issued by Marsh & McLennan Companies Inc. or its associate companies.

As some of the RSA positions may be established using synthetic instruments such as equity futures, an assessment of the Fund's RSA exposure is undertaken in determining whether rebalancing is required.

4.2 Rebalancing Policy

Marsh and Mercer Sections

The Trustee has established a tolerance band of +/-3% around the RSA/RRA policy target at the Section level, in line with the following table.

	Marsh	Mercer
RSA upper bound	13.0%	13.0%
RSA rebalancing if upper bound is breached	11.5%	11.5%
RSA lower bound	7.0%	7.0%
RSA rebalancing if lower bound is breached	8.5%	8.5%

JLT Section

There is no rebalancing policy in place.

Sedgwick Section

Given the majority of the assets for this Section have been used to purchase a buy-in policy, there is no requirement for a rebalancing policy.

4.3 Selection and Appointment of Investment Managers

Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class and specific mandate they are being appointed to manage on behalf of the Trustee.

The Committee looks to Mercer for their forward looking assessment of a manager's strategies to outperform over a full market cycle. This view will be based on the consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment strategy that the Fund invests in. Mercer's manager research ratings assist with due diligence and questioning managers during presentations to the Trustee are used in decisions around selection, retention and realisation of manager appointments.

When selecting and appointing investment managers, the Committee will take into account how environmental, social and governance ("ESG") factors, climate change and stewardship are integrated within the managers' investment processes. This will be balanced against other manager selection criteria such as (but not limited to) idea generation, portfolio construction, implementation, business management and fees and charges.

Where appropriate, the Trustee will delegate the selection and appointment of managers to Mercer.

Some appointments involve the use of segregated accounts. The Trustee has specified criteria in the IMAs for the asset class manager to be in line with the Trustee's specific investment requirements.

For the appointments in pooled investment vehicles, the Trustee accepts that it has no ability to specify the risk profile and return targets of the pooled fund. The Trustee has ensured the pooled fund mandates are aligned with the overall investment strategy of the Sections of the Fund.

4.4 Trustee's policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers

The Trustee is a long term investor and is not looking to change the investment arrangements on a frequent basis.

The Committee will retain an investment manager's appointment unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The manager appointment has been reviewed and the Committee has decided to terminate it.

For open-ended funds, there is no set duration for the manager appointments.

The private equity and private debt mandates are in closed-ended funds and the Fund is invested in a particular manager's fund for the lifetime of the fund. At the time of appointment, the investment managers provided an indication of the expected investment duration of their funds and have the discretion to extend the lifetime of the fund in line with the contractual documentation. The private debt portfolios are undergoing a gradual runoff, resulting in a reduction of the size of these holdings over time.

Investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Committee is dissatisfied, then they will look to replace the manager. Where the Trustee invests in pooled funds, the Trustee accepts that they do not have the ability to determine the risk profile and return targets of specific pooled funds but the Trustee expects the management of the assets to be done in a manner that is consistent with the fund's stated investment objective(s) and risk parameters. The Trustee has taken steps to satisfy itself that its managers have the appropriate knowledge and experience to do so and keep their performance under ongoing review. Should pooled fund manager fail to align their investment strategies with their stated investment objective(s) and risk parameters, it is open to the Trustee to disinvest some or all of the assets invested, to seek to renegotiate commercial terms or to terminate appointments.

To evaluate performance in respect of Mercer Funds and/or external managers, the Committee receives and discusses investment performance reports on a quarterly basis. The reports present performance information and commentary in respect of the Fund's funding level and investments. Such reports have information covering fund performance for the previous three months, 1 year and 3 years for the investment managers and at the total Section level. The Committee reviews the absolute performance, the relative performance against a suitable index used as the benchmark, and against the manager's stated target performance (over the relevant time period) on a net of fees basis. The Committee's focus is on the medium and long term financial and non-financial performance but will put a manager 'on watch' if there are sustained short term performance concerns.

In respect of Mercer Funds, neither Mercer nor MGIE make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustee is, however, able to consider Mercer's assessment of how each underlying third party asset manager embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustee's own responsible investment policy. This includes the asset managers' policies on voting and engagement.

Furthermore, in respect of Mercer Funds, the asset managers are incentivised as they will be aware that their continued appointment by MGIE will be based on their success in meeting MGIE's expectations. If MGIE is dissatisfied then it will, where appropriate, seek to replace the manager. MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Fund. Mercer's, MGIE's, and the third party asset managers', fees are outlined in a quarterly investment strategy report prepared for the Trustee, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee. Details of all costs and expenses are included in the Mercer Fund's Supplements, the Report & Accounts and within the Fund's annualised, MiFID II compliant Personalised Cost & Charges statement. The Fund's Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Mercer Funds.

If an external fund (i.e. a fund that is not a Mercer Fund) is not meeting performance objectives or targets, or the investment objectives for a mandate have changed, the Committee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives. If the Committee agrees to retain the appointment, it may ask the manager to review its Annual Management Charge.

4.5 Realisation of Investments

In general, the Fund's investment managers have discretion over the timing of the realisation of investments and in considerations relating to the liquidity of those investments.

The Committee has set a policy to address the expected cashflow requirements of each Section of the Fund. There is an established priority order for realising assets to meet capital calls, de-risking and benefit payments.

Marsh, Mercer and JLT Sections

Details on the cashflow policy are included in the IIPD.

Sedgwick Section

Details on the cashflow policy are also included in the IIPD.

For the Sedgwick Section, it should be noted that Standard Life, through the buy-in policy, provides a monthly annuity income to the Fund. This is in place to allow the Trustee to meet monthly cashflow requirements for this Section. Lump sum payments from the insurer are paid if members transfer out of the Fund and to allow the Trustee to meet retirement lump sums. The residual cash balance for the Sedgwick Section is held in cash and liquidity funds and will be used to meet any additional costs of the Sedgwick Section that arise.

5. Responsible Investment and Stewardship

5.1 The Trustee believes that good stewardship and ESG factors can have an impact on investment risk and return outcomes, and having a broader perspective with regards to investment policy can improve risk management and lead to new opportunities. The Trustee believes that active stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that may increasingly require explicit consideration. The Trustee has taken into account the expected time horizon of each Section when considering how to integrate these issues into the investment decision making process.

5.2 For the Sedgwick Section, the Trustee has considered all materially financial factors, including ESG factors, when setting the investment strategy. Given the buy-in policy in place, the responsibility for management of all financial factors for the buy-in assets, including ESG factors, has been delegated to the insurer. The Trustee reviewed the insurers' ESG capabilities as part of the insurer selection exercise.

5.3 The Trustee has given the appointed investment managers full discretion when evaluating ESG issues, including climate change considerations, and exercising rights and stewardship obligations attached to the investments, including undertaking engagement activities, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

5.4 Specifically, the Trustee requires managers to vote on all actions, unless to do so would be detrimental to the Fund, and to report any exceptions. It believes not only that active ownership helps realise long term shareholder value, but also that good corporate governance is important and it expects the fund managers to have suitable policies in place which promote the concept of good corporate governance and, in particular, a policy of exercising voting rights. Manager's engagement policies are expected to include all relevant matters including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance. The Trustee will review the investment managers' policies and voting and engagement activities (where applicable) on an annual basis.

5.5 The Trustee has and will continue to consider sustainability themed investments if such an investment is consistent with the required objectives and investment characteristics of each Section's investment strategy.

5.6 Member views are not taken into account in the selection, retention or realisation of investments.

5.7 The Trustee has not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

6. Monitoring the Investment Managers

Mercer advise and MGIE assist the Committee in monitoring the investment managers.

At present, the Committee does not formally monitor investment manager portfolio turnover costs but will look to incorporate this into its investment manager monitoring process.

The Trustee does not have an explicit targeted portfolio turnover range, given the de-risking mandate, but rebalancing ranges have been designed to avoid unnecessary transaction costs being incurred by unduly frequent rebalancing. Performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying investment managers undertaken by MGIE.

7. Compliance with this Statement

The Trustee and Committee monitor compliance with this Statement on a regular basis.

The Trustee also reviews this Statement in response to any material changes to the Fund, its liabilities, finances and the attitude to risk of the Trustee and the Company, which it judges to have a bearing on the stated investment policy. Any such review will again be based on written investment advice and will be carried out in consultation with the Company.