

Statement of Investment Principles – The AQA Pension Scheme (May 2025)

Introduction

This document is the Statement of Investment Principles ('SIP') made by the Trustees of The AQA Pension Scheme (the 'Scheme') in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it).

The Trustees will review this SIP at least every three years and without delay after any significant change in investment policy. Before finalising this SIP, the Trustees took written advice from the Scheme's Investment Consultant (WTW) and consulted with AQA Education ('AQA', the 'Employer'). The ultimate power and responsibility for deciding investment policy, however, lies solely with the Trustees.

Objectives

- 1 The Trustees have entered into a bulk purchase annuity agreement (buy-in) with Rothesay aiming to cover the value of all the Scheme's liabilities. The investment objective of the Trustees is now to maintain sufficient liquidity to meet the ongoing liabilities and expenses of the Trustees in relation to the Scheme.

Investment strategy

- 2 The Trustees have received advice to determine an appropriate investment strategy for the Scheme.
- 3 Following implementation of the buy-in insurance contract with Rothesay covering the liabilities, the investment strategy makes use of two key types of investments:
 - The Rothesay buy-in insurance contract; and
 - Liquid cash or other money markets instruments.
- 4 The balance between the investments will simply be a reflection of the underlying cashflows over time, rather than being determined strategically.
- 5 The expected return of investments will be directly related to the Scheme's investment objective. The buy-in is expected to make payments to cover the Scheme's liabilities and the uninsured assets are expected to provide a cash return.
- 6 The Trustees' policy is that there will be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in foreseeable circumstances, where possible. The Trustees, together with the Scheme's administrators, will hold sufficient cash to meet payment obligations. This will include access to funds from the Employer to cover obligations over and above the value of the Scheme's assets until all required payments have been made.

Investment managers

- 7 The Trustees ensure that the portfolio, in aggregate, is consistent with the policies set out in this statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). Where relevant to the mandate, the Trustees will:
 - a ensure that the investment objectives and guidelines of any pooled vehicle are consistent with the Trustees' policies;
 - b use its discretion, where appropriate, to set explicit guidelines within the Investment Management Agreement for segregated investments to ensure consistency with the Trustees' policies.
- 8 In accordance with the Financial Services and Markets Act 2000, the selection of specific investments will be delegated to investment managers. The investment managers will provide the skill and expertise necessary to manage the investments of the Scheme competently.
- 9 The Trustees are not involved in the investment managers day-to-day method of operation and do not directly seek to influence attainment of their performance targets. The Trustees will maintain processes to ensure that performance and risk are assessed on a regular basis against measurable objectives for each investment manager, consistent with the achievement of the Scheme's long term objectives.
- 10 The Trustees appoint investment managers with an expectation of a long-term partnership within the confines of the Scheme's overall objectives, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the Trustees focus on longer-term outcomes, commensurate with the Trustees' position as a long term investor. Consistent with this view, the Trustees do not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment may be terminated within a short timeframe due to other factors such as a significant change in business structure or the investment team.
- 11 The Trustees expect the investment managers to use their engagement activity to drive improved performance over medium to long term periods within the wider context of long-term sustainable investment. The Trustees invest in certain strategies where such engagement is not deemed appropriate or possible, due to the nature of the strategy and/or the investment time horizon underlying decision making. The Trustees recognise that given the current investment objectives, there is limited scope for this in the current portfolio.
- 12 The Trustees have delegated responsibility for the selection, retention and realisation of investments to the Scheme's investment managers. However, the Trustees recognise that an investment's long-term financial success is influenced by a range of factors including Environmental, Social and Governance (ESG) issues.
- 13 Consequently the Trustees seek to be an active long-term investor. The Trustees' focus is explicitly on financially material considerations over the time horizon of the Scheme. The Trustees' policy at this time is not to take into account non-financially material or ethical considerations. When selecting the bulk annuity provider, the ESG capabilities of the provider were taken into consideration.

- 14 When considering its policy in relation to stewardship including engagement and voting, the Trustees expect investment managers to address broad ESG considerations. The Trustees assess that ESG risks and, in particular, climate change, pose a financial risk to the Scheme and that focussing on these issues is ultimately consistent with the Trustees' fiduciary duties and the financial security of its members. Whilst the Trustees' policy is to delegate a number of stewardship activities to its investment managers, the Trustees recognise that the responsibility for these activities remains with the Trustees. The Trustees incorporate an assessment of how well the investment managers exercise these responsibilities as part of its overall assessment of their performance.
- 15 The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Scheme's investments to its investment managers, who are better positioned to drive engagement initiatives, interacting with the companies in their portfolios and exercising voting rights and acting alongside other investors, investment managers and stakeholders, where appropriate.
- 16 The Trustees will consider the fee structures of asset managers and the alignment of interests created by these fee structures as part of its investment decision making process, both at the appointment of an asset manager and on an ongoing basis. Asset managers are generally paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement.
- 17 To the extent possible, the Trustees review the costs incurred in managing the Scheme's assets annually, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustees will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.
- 18 Should the Trustees' monitoring process reveal that a manager's portfolio is not aligned with the Trustees' policies, the Trustees will engage with the manager further to encourage alignment. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities. The Trustees will also review managers with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings where applicable.

Other matters

- 19 The Scheme is a Registered Pension Scheme for the purposes of the Finance Act 2004.
- 20 The Trustees recognise a number of risks involved in the investment of the Scheme's assets, and, where applicable, monitor these risks:

Investment manager risk:

- is measured by the expected deviation of the prospective risk and return, as set out in the investment managers' objectives.
- is managed by monitoring the performance of the investment managers and qualitative assessments of the investment managers.

Insurer risk:

- is measured by assessing the financial strength of the provider of the Scheme's buy-in policy and the ability of the insurer to meet the likely benefit outgo of the Scheme.
- is managed by monitoring the financial strength of the Scheme's buy-in provider. The probability of default by Rothesay is considered to be low due to the strict regulatory regulations that Rothesay is bound by. However, in the unlikely event of a default by Rothesay the Trustees believe that they have various further layers of protection including the Financial Services Compensation Scheme, the covenant of the Employer and the Pension Protection Fund.

Liquidity risk:

- is measured by the level of cashflow required by the Scheme over a specified period.
- is managed by the Scheme's administrator assessing the level of cash held in order to limit the impact of the cashflow requirements on the investment policy and through holding assets of appropriate liquidity. Payments from Rothesay are expected to cover ongoing liabilities.

Political risk:

- is measured by the level of concentration in any one market leading to the risk of an adverse influence on investment values arising from political intervention.
- is managed by reviews of the actual investments relative to policy and through the level of country diversification within the policy.

Sponsor risk:

- is measured by receiving regular financial updates from the Employer and periodic independent covenant assessments if required.
- is managed through an agreed contribution and funding schedule.

Signed:

Name:

Date:

Authorised for and on behalf of the Trustees of the AQA Pension Scheme