

UPS Pension & Life Assurance Plan

Statement of Investment Principles

May 2026

Preface

Plan background

This Statement of Investment Principles (the 'SIP') details the principles governing investment decisions for the UPS Pension & Life Assurance Plan (the 'Plan') after the merger with the Lynx Express Pension Plan. Assets for the former Lynx Plan are held in a separate Section under the Plan.

The Plan operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries, and provides benefits calculated on a defined benefit (DB) basis. The Plan is closed to new entrants.

Regulatory requirements and considerations

Under the Pensions Act 1995 (the 'Act') and subsequent legislation, principally the Occupational Pension Schemes (Investment) Regulations 2005 (as amended) (the 'Investment Regulations'), the Trustee Directors must secure that a written statement of the principles governing investment decisions is prepared and maintained for the Plan.

This SIP also reflects the requirements and recommendations within The Pensions Regulator's general code of practice, in respect of the DB assets and any additional voluntary contribution (AVC) arrangements.

The Trustee Directors are responsible for all aspects of the operation of the Plan including this SIP.

In agreeing their investment strategy, the Trustee Directors have had regard to:

- The requirements of the Act concerning suitability and diversification of investments and the Trustee Directors will consider those requirements on any review of this SIP or any change in the investment policy.
- The requirement of the Investment Regulations: in particular that assets held to cover the Plan's technical provisions must also be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Plan.

Responsibilities and appointments

Only persons and organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Plan. The Trustee Directors draw on the expertise of external persons and organisations including the investment consultant, investment managers and the Scheme Actuary. Full details are set out in this SIP.

Consultation

In accordance with the Act, the Trustee Directors have obtained and considered written advice from Gallagher (Administration & Investment) Limited (the

investment consultant) prior to the preparation (or revision) of this SIP and have consulted UPS Ltd ('the Sponsoring Employer'). However, it should be noted that neither the Trustee Directors (nor any investment manager to whom they have delegated any discretion to make decisions about investments) shall require the consent of the Sponsoring Employer to exercise any investment power.

History and review

The Trustee Directors will review this SIP at least every three years and without delay after each significant change in investment policy, taking note of any changes in the Plan's liabilities. Once agreed, and after consultation with the Sponsoring Employer, a copy of this SIP will be given to the Scheme Actuary and will be made available to Plan members on request and published on a publicly available website.

Previous versions of this SIP are dated:

SIP dated November 2023.

SIP dated April 2023.

SIP dated March 2022.

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Statement of Investment Principles

Investment governance structure

The Trustee Directors have appointed an Investment Sub-Committee (“ISC”) which is responsible for addressing investment issues relating to the Plan. The Trustee Board remains ultimately responsible for the security and investment of the Plan’s assets. The role of the ISC is to assist the Board in undertaking detailed monitoring and administration of investments in accordance with the Board’s policies, and to make recommendations regarding changes to investment strategy and investment managers. The Trustee Directors will undertake training where appropriate to ensure they have the necessary expertise to take the decisions required and to evaluate critically the advice received.

All investment decisions relating to the Plan are under the control of the Trustee Board without constraint by the Sponsoring Employer. The Trustee Directors will consult with the Sponsoring Employer when changing this SIP.

All day-to-day investment decisions are delegated to properly qualified and authorised investment managers of pension plan portfolios. Investment management agreements and/or an insurance contract have been exchanged with the investment managers, and are reviewed from time-to-time to ensure that the manner in which they make investments on behalf of the Trustee Board is suitable for the Plan, and appropriately diversified.

Investment strategy and objectives

The Plan’s investment strategy has been agreed by the Trustee Directors having taken advice from the investment consultant in relation to the suitability of investments and the need to diversify and takes due account of the Plan’s liability profile along with the level of disclosed surplus or deficit.

The Trustee Directors’ aim is to operate investment strategies that are consistent with the size and incidence of each Section’s expected cash flows and provides appropriate security for all beneficiaries. In addition, the Trustee Directors seek to maintain the stability of the Sections’ funding levels on a prudent calculation basis as far as practical acknowledging the level of illiquid assets held and how these are expected to be wound down over time.

The Trustee Directors’ primary objectives are:

- To pay benefits to members as and when they fall due.

- To ensure that sufficient and appropriate assets are held to cover the Plan's Technical Provisions.

The Trustee Directors' agreed investment strategies are based on an analysis of the liability profile of each Section of the Plan, the required investment return and the returns expected from the various asset classes over the long-term.

The Trustee Directors have translated their objectives into a suitable investment strategy for each Section of the Plan, details of which are included in the investment implementation document. The Plan has implemented a Cashflow Centred Investment approach for managing the assets of both Sections, designed around meeting benefit payments from the income and maturity proceeds from the investment portfolio, details of which are included in the Plan's investment implementation document.

In accordance with the Financial Services & Markets Act 2000, the Trustee Directors are responsible for setting the general investment policy, but the responsibility for all day-to-day investment management decisions have been delegated to the investment managers who are authorised under the Act. Details are included in the Plan's investment implementation document.

The Trustee Directors are responsible for reviewing both the asset allocations and investment strategies as part of each actuarial valuation in consultation with the Plan's investment consultant. The Trustee Directors may also reconsider the asset allocations and the investment strategies outside the triennial valuation period where necessary.

The Trustee Directors consider the current investment strategies and asset allocations to be consistent with the current financial positions of the Sections. This assessment will be updated with reference to the Technical Provisions set out in the Plan's Statement of Funding Principles once the 31 March 2027 actuarial valuation has been completed. "Technical provisions" is the value of the Plan's liabilities for funding purposes.

The Trustee Directors' policy in relation to the balance between different kinds of investments

The appointed investment managers will hold a suitably diversified mix of investments in line with their agreed benchmark and within their discretion to diverge from the benchmark. Within each major market each manager will maintain a portfolio of securities diversified as is appropriate for the mandate. Full details are set out in the Plan's investment implementation document.

The Trustee Directors' policy in relation to the expected return on investments

The investment strategies are believed to be capable of exceeding, in the long run, the overall required rates of return assumed in the Scheme Actuary's published

actuarial valuation report in order to maintain a fully funded status under the agreed assumptions.

The Trustee Directors' policy in relation to the realisation of investments

In the event of an unexpected need to realise all or part of the assets of the portfolio, the Trustee Directors require the investment managers, other than those managing the infrastructure, property and direct lending assets, to be able to realise the Plan's investments in a reasonable timescale by reference to the market conditions existing at the time the disposal is required and subject to the best interests of the Plan. The direct lending and infrastructure assets, as well as the property investments in certain market conditions, are not able to be realised quickly.

The Trustee Directors' policy in relation to financially material considerations and appropriate time horizon

The Trustee Directors believe that the potential impact of any financially material considerations that may affect the Plan's investments should be assessed over the period during which benefits are expected to be paid from the Plan and/or the period over which particular investments are expected to be held. They consider this as part of investment strategy setting, investment manager selection and ongoing monitoring of the investment manager(s), taking advice on these matters from the investment consultant. The Trustee Directors expect their investment managers, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.

The Trustee Directors review, from time to time, each investment manager's policies in respect of financially material considerations.

The Trustee Directors' policy in relation to the extent to which non-financial matters are taken into account

The Trustee Directors' objective is that the financial interests of the Plan members are their first priority when choosing investments. The Trustee Directors will take members' preferences into account if they consider it appropriate to do so.

Risk capacity and risk appetite

The Trustee Directors, after seeking appropriate investment advice, have adopted a cashflow centred investment approach to managing the Plan's DB Sections' assets.

Subject to their respective benchmarks and guidelines (shown in the Plan's investment implementation document) the investment managers are given full discretion over the choice of investments and are expected to maintain diversified portfolios.

The Trustee Directors are satisfied that the investments selected are consistent with their investment objectives, particularly in relation to diversification, risk, expected return and liquidity.

The Trustee Directors' policy in relation to risks

The Trustee Directors consider the main risk to be that of the assets being insufficient to meet the Plan's liabilities as they fall due. The Trustee Directors have assessed the likelihood of undesirable financial outcomes arising in the future.

Investment policies are set with the aim of having sufficient and appropriate assets to cover the Plan's Technical Provisions, and with the need to avoid undue contribution rate volatility.

In determining the investment strategies, the Trustee Directors received advice from the investment consultant. Based on analysis involving the expected returns underlying the most recent actuarial valuation and the cashflow profile of each Section of the Plan, the strategies outlined in the investment implementation document have been adopted, with further details set out in the Plan's investment implementation document.

Although the Trustee Directors acknowledge that the main risk is that the Plan will have insufficient assets to meet its liabilities, the Trustee Directors recognise other contributory risks, including the following. Namely the risk:

- Associated with the differences in the sensitivity of asset and liability values to changes in financial and demographic factors.
- Of the Plan having insufficient liquid assets to meet its immediate liabilities.
- Of the investment managers failing to achieve the required rate of return.
- Due to the lack of diversification of investments.
- Of failure of the Plan's Sponsoring Employer to meet its obligations.

The Trustee Directors manage and measure these risks on a regular basis via actuarial and investment reviews, and in the setting of investment objectives and strategy.

The Trustee Directors undertake monitoring of the investment managers' performance against their targets and objectives on a regular basis.

Each fund in which the Trustee Directors invest has a stated performance objective against which investment performance will be measured. These are shown in the Plan's investment implementation document. Within each asset class, the investment managers are expected to maintain a portfolio of securities (or funds), which ensures that the risk being accepted in each market is, subject to mandate constraints, broadly diversified.

Stewardship in relation to the Plan's assets

The Trustee Directors have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustee Directors can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through each investment manager.

The Trustee Directors seek to appoint managers that have strong stewardship policies and processes and are supportive of their investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

The Trustee Directors' policy in relation to engagement and monitoring (including peer to peer engagement)

The Trustee Director's policy is to delegate responsibility for engaging and monitoring investee companies to each investment manager and the Trustee Directors expect the investment managers to use their discretion to maximise financial returns for members and others over the long term.

The Trustee Directors recognise that each investment manager's ability to influence the companies in which they invest will depend on the nature of the investment.

The Trustee Directors acknowledge that the concept of stewardship may be less applicable to some of their assets, particularly for short-term money market instruments, gilt and liability-driven investments.

The Trustee Directors will review each investment manager prior to appointment and monitor them on an ongoing basis through the regular review of the investment manager's stewardship policies, its investment consultant's ESG views on the manager, and a review of each manager's engagement behaviour.

The Trustee Directors have not set out their own stewardship priorities but follow that of the investment managers.

The Trustee Directors will engage with an investment manager should they consider that manager's stewardship policies to be inadequate or if the engagement undertaken is not aligned with the investment manager's own policies, or if the investment manager's policies diverge significantly from the views of the Trustee Directors.

If the Trustee Directors find any investment manager's policies or behaviour unacceptable, they may agree an alternative mandate with the manager or decide to review or replace the manager.

As all of the investments are held in pooled vehicles, the Trustee Directors do not envisage being directly involved with peer-to-peer engagement in investee companies.

The Trustee Directors' policy in relation to voting rights

The Trustee Directors' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The Trustee Directors have not set out their own voting policy but follow that of the investment managers. Each investment manager is expected to provide regular reports for the Trustee Directors detailing their voting activity.

Investment management monitoring

In addition to the stewardship activities described above, the Trustee Directors will assess the performance, processes and cost effectiveness of the investment managers by means of regular, but not less than annual, reviews of the results and other information, in consultation with the investment consultant.

All investment decisions, and the overall performance of the investment managers, are monitored by the Trustee Directors with the assistance of the investment consultant.

The investment managers will provide the Trustee Directors with quarterly statements of the assets held along with a quarterly performance report. The investment managers will also report orally on request to the Trustee Directors.

The investment managers will inform the Trustee Directors of any changes in the internal performance objective and guidelines of any pooled funds used by the Plan as and when they occur.

The Trustee Directors receive an independent investment performance monitoring report from the investment consultant on a quarterly basis.

Appropriate written advice will be taken from the investment consultant before the review, appointment or removal of the investment managers.

The Trustee Directors' policy in relation to their investment managers

In detailing below the policies on the investment manager arrangements, the overriding approach of the Trustee Directors is to select investment managers that meet the primary objectives of the Trustee Directors. As part of the selection process and the ongoing review of the investment managers, the Trustee Directors consider how well each investment manager meets the Trustee Directors' policies and provides value for money over a suitable timeframe.

- How the arrangement incentivises the investment manager to align its investment strategy and decisions with the Trustee Directors' policies

The Trustee Directors have delegated the day to day management of the Plan's assets to the investment managers. The Plan's assets are invested in pooled funds which have their own policies and objectives and charge a fee, agreed with the investment manager, for their services. Such fees incentivise the investment managers to adhere to their stated policies and objectives.

- **How the arrangement incentivises the investment manager to engage and take into account financial and non-financial matters over the medium to long-term**

The Trustee Directors, in conjunction with their investment consultant, appoint their investment managers and choose the specific pooled fund to use in order to meet specific Plan policies. They expect that their investment managers make decisions based on assessments about the financial and non-financial performance of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Plan's performance) over an appropriate time horizon.

The Trustee Directors also expect their investment managers to take non-financial matters into account as long as the decision does not involve a risk of significant detriment to members' financial interests.

- **How the method (and time horizon) of the evaluation of the investment manager's performance and the remuneration for asset management services are in line with the Trustee Director's investment policies**

The Trustee Directors expect their investment manager to invest the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation. The Trustee Directors review the investment managers periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.

If the Trustee Directors determine that the investment manager is no longer managing the assets in line with the Trustee Directors policies they will make their concerns known to the investment manager and may ultimately disinvest.

The Trustee Directors pay their investment managers a management fee. Some investment managers also receive a performance incentive fee.

Prior to agreeing a fee structure, the Trustee Directors, in conjunction with their investment consultant, consider the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the investment manager.

- **How the Trustee Directors monitor portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range**

The Trustee Directors, in conjunction with their investment consultant, have processes in place to review investment turnover costs incurred by the Plan on an annual basis. The Trustee Directors receive a report which includes the turnover costs incurred by the investment managers used by the Plan.

The Trustee Directors expect turnover costs of the investment managers to be in line with their peers, taking into account the style adopted by the investment manager, the asset class invested in and prevailing market conditions.

The Trustee Directors do not explicitly monitor turnover, set target turnover or turnover ranges. The Trustee Directors believe that the investment managers should follow their stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique and bespoke in nature and there is the potential for markets to change significantly over a short period of time.

- **The duration of arrangements with investment managers**

The Trustee Directors do not in general enter into fixed long-term agreements with their investment managers and instead retain the ability to change investment manager should the performance and processes of the investment manager deviate from the Trustee Directors' policies. However, the Trustee Directors expect their manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective.

The Trustee Directors have entered into a long-term agreement with the Plan's direct lending and infrastructure managers for illiquid investments.

Employer-related investments

The Trustee Directors will not make direct investments in the Sponsoring Employer's own securities. The amount of the Sponsoring Employer's securities, owned by pooled investment vehicles invested in, is monitored. The Trustee Directors have delegated the responsibility for the exercising of any voting rights attached to any Sponsoring Employer investment held to the investment managers.

Additional voluntary contributions (AVCs)

The Trustee Directors have full discretion as to the appropriate investment vehicles made available to members of the Plan for their voluntary contributions. Only investment vehicles normally considered suitable for voluntary contributions will be

considered by the Trustee Directors, having taken appropriate written advice from their investment advisers.

- The Trustee Directors will monitor the performance of AVC providers periodically.
- The objective is to secure a return consistent with that achieved by typical AVC contracts of the kind used for AVC investment.
- Members are directed to seek independent financial advice when considering their AVC arrangements.

Appointments and responsibilities

This section sets out the key appointments and responsibilities with respect to the investment aspects of the Plan.

A full list of the Plan's advisers is provided at the front of the Plan's Annual Report and Financial Statements. However, at the time of writing this SIP:

- The investment consultant is Gallagher (Administration & Investment) Limited.
- The investment managers are detailed in the Plan's investment implementation document.
- For pooled funds, custodial duties are facilitated by the relevant investment manager and, therefore, are not detailed in this SIP.
- The Scheme Actuary is Gary Cameron of Gallagher Actuarial Consultants Limited.

Trustee Directors

The Trustee Directors' primary responsibilities include:

- The preparation of this SIP, reviewing its contents and modifying it if deemed appropriate, in consultation with the Sponsoring Employer and the investment consultant, at least every three years. The SIP will also be reviewed following a significant change to investment strategy and/or the investment managers.
- The preparation of the Plan's investment implementation document. The investment implementation document will be reviewed following a change to investment strategy and/or the investment managers.
- Appointing investment consultants and investment managers as necessary for the good stewardship of the Plan's assets.
- Setting objectives for the appointed investment consultant (and reviewing these at least every three years, and following any significant change to investment strategy), and reviewing the investment consultant's performance against these objectives at least annually.
- Reviewing the investment strategy as part of each triennial actuarial valuation, and/or asset liability modelling exercise, and/or significant changes to the Plan's liabilities, taking advice from the investment consultant.
- Reviewing the stewardship / voting policies of the investment managers and undertaking the ongoing monitoring and engagement with their investment managers as appropriate.
- Assessing the processes and the performance of the investment managers by means of regular, but not less than annual, reviews of information obtained (including investment performance).

- Monitoring compliance of the investment arrangements with this SIP and with the relevant sections of the Act, the Investment Regulations and any regulatory guidance on a regular basis.
- Monitoring risk and the way in which the investment managers have cast votes on behalf of the Trustee Directors in respect of the Plan's equity holdings.

Investment consultant

The main responsibilities of the investment consultant include:

- Agreeing the investment consultant objectives with the Trustee Directors prior to providing any services to ensure they understand the Trustee's requirements.
- Assisting the Trustees in the preparation and periodic review of this SIP in consultation with the Sponsoring Employer.
- Assisting the Trustees in the preparation and periodic review of the Plan's investment implementation document.
- Assistance in setting, deciding and monitoring the Trustee Directors' investment objectives in funding employee benefits and other long-term liabilities.
- Preparation from time to time of a mutually agreed statement of the Trustee Directors' investment objectives, and, if appropriate, the Statement of Investment Principles required under the relevant Pensions legislation.
- Advice on the appropriate assets or categories of assets to meet the investment objectives and on the degree of risk involved.
- Advice upon construction of an appropriate investment portfolio consequent upon any asset liability study.
- Assistance to the Trustee Directors in the selection and appointment of an investment manager and/or insurance company to meet the Trustee Directors' needs and in accordance with a separately and previously agreed selection process.
- Monitoring and analysis of the investment performance of the Trustee Directors' assets as and when instructed by the Trustee Directors.

Investment managers

The investment managers' main responsibilities include:

- Investing the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation.
- Ensuring that the investment of the assets within their portfolio is compliant with prevailing legislation.
- Providing the Trustee Directors with quarterly reports and a review of the investment performance of their portfolio.
- Meetings with the Trustee Directors as and when required.

- Informing the Trustee Directors of any changes in the fee structure, internal performance objectives and guidelines of any pooled fund within their portfolio as and when they occur.
- Considering financially material risks affecting investments within their portfolio.
- Exercising voting rights on shareholdings within their portfolio in accordance with their general policy.

Scheme Actuary

The Scheme Actuary's main responsibilities in respect of investment policy include:

- Commenting on the suitability of the Plan's Sections' investment strategies given the financial characteristics of the Plan.
- Performing the triennial (or more frequently as required) actuarial valuation and advising on the Plan's funding level and therefore the appropriate level of contributions in order to aid the Trustee Directors in balancing short-term and long-term investment objectives.

Compliance

The Plan's SIP is available to members on request and is also made publicly available free of charge on the following website:

<https://www.legalandgeneral.com/workplace-dc/trust-literature/illustration-ups/>

A copy of the Plan's current SIP is also supplied to the Sponsoring Employer, the Plan's auditors and the Scheme Actuary.

This SIP, taken as a whole with the investment implementation document, supersedes all others and was approved by the Trustee Directors.

Full name

Signature

Position

For and on behalf
of

Date

Full name

Signature

Position

For and on behalf of

Date