



Statement of Investment Principles 2025

Contents

| | |
|---|----|
| 1. Introduction | 2 |
| Background on the Final Salary and Career Average Schemes | 2 |
| 2. Management and oversight | 3 |
| The Committee | 3 |
| The Investment Subcommittee | 3 |
| The Administrator | 4 |
| 3. Investment Objectives | 4 |
| 4. Investment Strategy | 5 |
| Strategic allocations | 6 |
| Growth Assets | 7 |
| Yield Focused | 7 |
| Matching | 8 |
| 5. Managing asset allocations | 8 |
| Implementation | 8 |
| Convictions applied in the strategy | 8 |
| Re-balancing | 9 |
| Monitoring performance | 9 |
| Cashflow | 10 |
| 6. The appointment of investment managers | 10 |
| 7. Custody and accounting arrangements | 11 |
| Custody | 11 |
| Performance reporting | 11 |
| Unitisation and the principle of “treating participants fairly” | 12 |
| Administration | 12 |
| 8. Investment Risk | 12 |
| 9. Responsible Investment and Corporate Governance | 14 |
| 10. Annual Review | 14 |
| Appendix to the Statement of Investment Principles | 15 |

1. Introduction

Author and purpose

This Statement has been prepared by the Committee of Management (“the Committee”), in accordance with Regulation 17 of the Public Employees (Pension Scheme) (Administration) (Jersey) Regulations 2015.

The Statement sets out the policies and principles governing the Committee’s decisions in relation to the investment of assets of the Public Employees Pension Fund (PEPF, “the Fund”).

The purpose of the Fund itself is to hold investments for, and to provide benefits to, members of the Public Employees Contributory Retirement Scheme (the Final Salary Scheme – “PECRS”) and the Public Employees Pension Scheme (the Career Average Scheme – “PEPS”).

Per Regulation 17, the Committee keeps the Statement under annual review and makes such revisions as are appropriate following a material change to its policies and principles in relation to any of the matters contained in the Statement.

The Statement is prepared in consultation with the Treasurer of the States (“the Treasurer”) and is published, subject to the approval of the Minister for Treasury and Resources (“the Minister”) – with revisions published before the expiry of three months from the date of those revisions.

Contents

This Statement sets out:

- The methods of management and oversight, including the use of key external advisers.
- The investment objectives of the Fund, and its participants, the Schemes.
- The investment strategy to achieve the objectives of the Fund and the Schemes, including descriptions of the asset allocations.
- Administration of the asset allocations, including rebalancing decisions.
- The process for the appointment/removal of investment managers to the Fund.
- Custody and accounting arrangements.
- Approaches to Responsible Investment and Corporate Governance.

The Statement has an Appendix setting out the details of how the strategy is presently applied, as amended from time to time when the investments change.

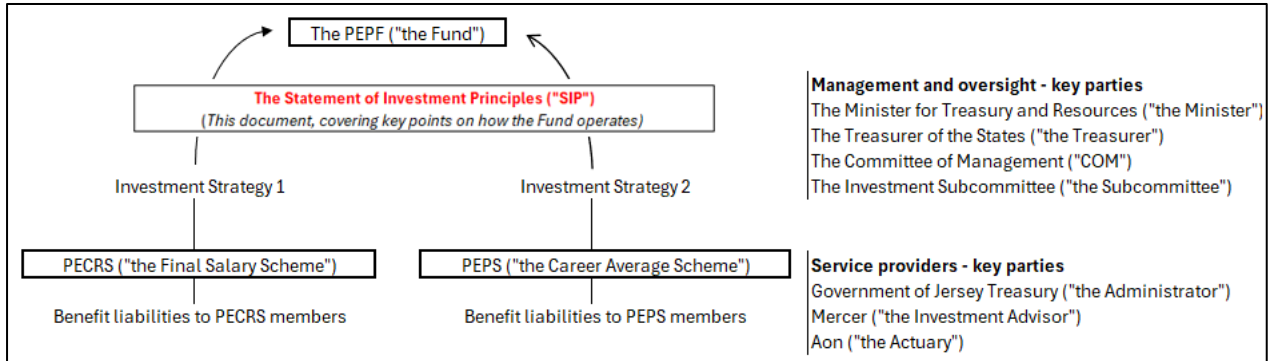
Background on the Final Salary and Career Average Schemes

The Fund is established in Law by an act of the States of Jersey. It operates for the benefit of members of the Schemes, who are public servants and employees (excluding teachers, who are members of a different pension arrangement, the JTSF).

The Financial Statements give further detail on the Admitted Employers of the Schemes and the transitional arrangements relating to the closure of the Final Salary Scheme to new members (from 1 January 2016).

The Financial Statements also provide Scheme level information on the accrued benefit obligations of each Scheme.

2. Management and oversight



The Committee

The Committee is responsible for managing the Schemes' assets in accordance with the relevant regulations, which state that it must have regard to:

- the need for diversification of investments of the assets of the Fund;
- the suitability of the investment it proposes to make; and
- proper advice obtained at reasonable intervals.

The Committee meets at least quarterly. It is a standing item of business to receive formal investment reports and expert advice from the Fund's Investment Adviser (Mercer Limited) each quarter, and to review investment performance.

The Committee is also updated by its Investment Subcommittee ("the Subcommittee"), to whom it delegates certain powers to ensure investment issues are given detailed consideration, and by relevant service providers, such as the Government of Jersey Treasury and Exchequer Department ("the Administrator").

The Investment Subcommittee

The Subcommittee meets at least quarterly, but typically more frequently, and makes recommendations to the Committee on investment matters relating to the Schemes, including investment strategy and the appointment and removal of Investment Managers. The Subcommittee is advised by its Investment Adviser on all aspects of its investment strategy and operations.

The powers of the Subcommittee is subject to formal delegation rules defined by the Committee, which define the actions they are able to take independently and those which require formal approval by the Committee.

The Subcommittee oversees strategic asset allocations and recommends changes, where deemed appropriate, to the Committee. Changes to asset allocations (including the target allocation and/or range) must be updated in the Statement of Investment Principles, subject to consultation with the Treasurer, and then published subject to the approval of the Minister for Treasury and Resources.

The Subcommittee monitors the Scheme’s investment managers and meets with them regularly. It makes recommendations for the selection and removal of managers to the Committee. The Committee also discharges certain investment tasks of an operational nature via its Subcommittee. These are completed in coordination with the Administrator.

The Administrator

The Administrator completes certain routine operational investment activities for the Fund, with the direct involvement of the Subcommittee according to the nature of the matter.

Example operational investment activities commonly performed by the Administrator include:

- Routine updates to investment manager terms and conditions.
- Submission of investment filing matters (anti money laundering declarations).
- The automatic processing of contractual calls, distributions, manager fees and similar transactions.
- The processing of reclaims for withholding tax and class actions, with Subcommittee agreement.
- The provision of factual investment information to regulators and similar external authorities.
- Completion of proxy voting forms.

3. Investment Objectives

The Committee’s investment objective is to invest the Fund assets so that there are sufficient resources to meet members’ benefits as they fall due.

To achieve its objective, the Committee designs tailored investment strategies for each Scheme. These target a level of investment return sufficient to meet projected Scheme liabilities (the “Actuarial Target return”), as defined by the most recent Actuarial Valuation.

The Actuarial Valuation is a tri-annual exercise that assesses Scheme-specific factors such as expected contribution payments, likely investment returns, the longevity of the membership, employment trends and the outlook for inflation to determine the ability for the Schemes to meet the members’ benefits as they fall due.

Per the most recent Actuarial Valuation of the Schemes, at 31 December 2024, the Actuarial Target return is shown in the table below:

| | |
|---|---|
| Final Salary Scheme Actuarial Target return | <ul style="list-style-type: none"> • 5.80% p.a. for the 3 years to 31 December 2027; • 5.65% p.a. for the 3 years to 31 December 2030; • 5.50% p.a. for the 3 years to 31 December 2033; and • 5.35% p.a. thereafter. |
| Career Average Scheme Actuarial Target return | <ul style="list-style-type: none"> • 5.8% p.a. |

When developing the investment strategies for the Schemes the Committee seeks to achieve at least the Actuarial Target return, considering the assumed uncertainty of future investment return outcomes

(investment risk) from the investment portfolio and how best to spread risk across the range of investments.

The development of an appropriate investment strategy is of critical importance and is formed by the Committee following detailed consultation with the Investment Adviser and the Scheme Actuary (Aon).

Originally, the two Schemes shared a common investment strategy implemented via Fund-level asset pools. Joint investment via the Fund-level asset pools brings benefits of scale and efficiency. However, with time, the Actuarial Target returns of the two Schemes are naturally diverging, reflecting differences in the Final Salary and Career Average Scheme's membership and cashflow requirements. Since 2024, the Committee has therefore applied separate investment strategies for the two Schemes that are implemented primarily by adjusting the weightings of the Schemes' respective ownership levels of various Fund-level asset pools.

4. Investment Strategy

The investment strategy for each Scheme seeks to diversify holdings between asset classes to achieve a controlled blend of risk and return dynamics. This diversification also reflects other Scheme needs, such as meeting the liquidity needs of membership obligations.

The investment strategy is implemented by defining target holdings (and movement ranges) for classes of assets (referred to as "strategic allocations").

The strategic allocations are reviewed each year as a minimum and additionally as required by events.

Strategic allocations

The detail on the asset classes and their ranges is provided below:

| Asset Class | Target allocation Final Salary Scheme PECRS (%) | Range (%) | Target allocation Career Average Scheme PEPS (%) | Range (%) |
|--|--|-----------|---|-----------|
| Growth ¹ | 26.5% | | 60.0% | |
| Equities | 17.5% | +/- 5.0% | 33.0% | +/- 10.0% |
| Private Equity ² | 0.0% | | 10.0% | |
| Infrastructure Equity ² | 3.0% | | 6.5% | |
| Alternatives | 6.0% | +/- 2.5% | 10.5% | +/- 4.0% |
| Yield Focused ¹ | 34.5% | | 33.0% | |
| Growth Fixed Income | 17.5% | +/- 4.0% | 18.5% | +/- 5.0% |
| Private Debt ² | 11.0% | | 10.5% | |
| Property ² | 6.0% | | 4.0% | |
| Matching Investments ¹ | 39.0% | | 7.0% | |
| Buy & Maintain Corporate Bonds | 18.0% | +/- 6.0% | 0.0% | |
| Index-Linked Government Bonds | 12.0% | +/- 6.0% | 0.0% | |
| Cash Like ³ | 9.0% | +/- 5.0% | 7.0% | +/- 5.0% |

¹ In order to construct an appropriate portfolio for the separate risk and return requirements of the two Schemes, allocation ranges are set at asset class level. This provides sufficient flexibility regarding considerations like generic risk, return, liquidity and distribution needs. The strategic allocations support the 31 December 2024 Actuarial Valuation, including the introduction of new asset class allocations to Infrastructure Equity, Private Equity and Index-Linked Government Bonds. The application of these new strategic allocations (involving additions, disposals and appointments of new managers) will be completed in a structured manner and will be significantly completed over the course of 2026. Note: Totals may not add due to rounding.

² The ranges in the table relate to the strategic asset allocation. There are, however, no ranges on the Private Equity, Infrastructure Equity, Property or Private Debt asset classes since the nature of such assets means they are not regarded as readily tradeable assets, so cannot be traded easily to move them back within a range.

³ Cash Like assets include highly liquid assets that can be readily exchanged for cash such as Asset Backed Securities (ABS) that are held for strategic purposes within each Scheme's portfolio. The balance excludes immediate working capital cash held at HSBC and in Managers' broker accounts.

Growth Assets

Growth investments seek to achieve a higher rate of investment growth than the anticipated growth of the Schemes' liabilities. However, compared to the other Fund assets, these assets also carry relatively higher investment risk, and their prices can be volatile.

- The Committee believes Equities provide the most appropriate means of achieving the requisite investment return over the long term. Within the Equities allocation there is diversification across a range of investment styles with differing characteristics designed to provide returns in a variety of possible market conditions.
- Private Equity includes investment in privately owned companies through a negotiated process via specialised managers. Private equity investment is typically close-ended by nature (meaning these investments are illiquid) and is mainly focused on generating returns through capital appreciation rather than income. The Committee uses Private Equity to access opportunities not available via Equities (which are publicly available) with the aim of enhancing portfolio returns. The Committee is aware of the complexity, higher fees and illiquidity associated with the asset class, sizing the allocation as appropriate, diversifying exposure by commitment year and utilising specialist managers to implement the target allocation.
- Infrastructure Equity includes investment in the basic physical and organisational structures needed for the operation of society or enterprise. The Committee's Infrastructure Equity allocation is implemented via open-ended Unlisted Infrastructure Equity. The Committee invests via open-ended Unlisted Infrastructure Equity to provide diversification versus Equities and seek higher risk-adjusted returns (compared to Equities).
- Alternatives include asset classes which target a relatively high investment return but that are less correlated, or uncorrelated, to 'traditional' asset classes such as stocks, bonds or cash. The Committee is aware that investing in Alternatives may increase some risks, such as illiquidity and individual manager risk, and that fees tend to be higher than in the case of 'traditional' asset classes. Nonetheless, it believes that including Alternatives within the Growth investments is an essential strategic requirement to diversify the overall risk at a portfolio level.

Yield Focused

Yield Focused investments provide a contribution towards meeting the overall Actuarial Target return whilst further diversifying the portfolio. These assets are generally cash generative which can support operational cash flow where required. These investments are expected to exhibit a lower level of price volatility than Growth investments.

- Growth Fixed Income provide streams of income linked to a specific underlying measure, such as interest rates, together with the opportunity for capital gain. These are relatively liquid, compared to Private Debt and Property assets.
- Private Debt investments are typically close-ended by nature, meaning these investments are for fixed terms and are illiquid. Their returns are expected to accrue towards the end of these terms and their managers focus on whole-life performance rather than annual return measures.
- The Property allocation is employed to provide long-term, predictable, and ongoing cash-flows that are diversified from other Yield Focused investments. They are illiquid.

Matching

Matching Investments are assets that more closely match the characteristics of each Scheme's obligations (also known as "liabilities"). The assets used are typically sensitive to movements in interest rates, gilt yields and inflation expectations. The Matching Investments are expected to exhibit a lower level of investment risk when compared to the Growth and Yield Focused investments. The Matching investments are generally cash generative which can support operational cash flow where required.

- Buy & Maintain Corporate Bonds is a globally diversified portfolio of predominantly investment grade corporate bonds which provide an income stream together with the opportunity for capital gain. In normal market conditions the portfolio is expected to be highly liquid.
- Index-Linked Government Bonds is a portfolio of inflation-linked government bonds issued by the UK Government. They are commonly referred to as "Index-Linked Gilts". The bonds provide an income stream, and capital repayment, which increases by UK inflation each year. The investment is expected to be highly liquid.
- Cash Like assets include highly liquid assets that can be readily exchanged for cash such as Asset Backed Securities (ABS) that are held for strategic purposes within each Scheme. The balance excludes immediate working capital cash held at HSBC and in Managers' broker accounts.

5. Managing asset allocations

Implementation

A number of investment managers may be appointed to each asset class with the aim of diversifying risk. The cost of a higher number of smaller manager positions includes administrative complexity, impact on scale economies, fees and oversight, and is balanced against the diversification benefit.

(The Appendix contains details of the investment managers currently used to apply the investment strategy).

Each investment manager is entrusted with the day-to-day management of the Fund's investments with strict limits and controls enacted through the terms of each individual manager's mandate. This includes discretion to buy and sell investments, subject to those agreed limits and constraints, and for the ongoing monitoring, administration, and exercise of the voting rights of individual investments.

Convictions applied in the strategy

The more significant convictions applied when managing the portfolio include:

"Active" investment styles are used more than "Passive" styles

The Committee has conviction that active portfolio management adds value over time and generally appoints active managers rather than managers that passively replicate an investment benchmark.

The Subcommittee regularly reviews active versus passive management outcomes and recognises that active managers may, from time to time, underperform their respective benchmarks.

"Responsible Investment" adds value

The Committee regards good governance practices as adding value to portfolio investments, not least through improved performance and mitigation of risk. As part of its appointment, performance review and operational monitoring processes, consideration is given as to whether managers are following the

Committee's expectations regarding Responsible Investment (incorporating Environmental, Social and Governance (ESG) matters).

More information on the Committee's approach to RI is provided in Section 9 below.

Securities lending should be limited

Although securities lending is undertaken within some of the pooled funds in which the PEPF invests, particularly within the Alternatives investment category, the Committee requires that securities lending is not undertaken within the segregated portfolios.

Portfolio foreign exchange risk may require hedging but should be undertaken selectively

To manage foreign exposure, the Committee generally seeks investments that are hedged back to GBP by the investment managers. Depending on its view of the residual exposure at portfolio level, from investments that are not hedged in this way, the Subcommittee may choose to reduce risk further by instructing the Administrator to arrange currency derivatives within strategic parameters set by the Committee.

Re-balancing

Market movements can have a significant effect on the absolute and relative values of holdings within the portfolio, moving holdings away from target allocation positions. However, the Committee is mindful that automatic rebalancing may not be practical in all instances. For instance, when:

- The cost of the trade is disproportionate to the size of the trade.
- The dealing cycle/ liquidity of a holding either prevents or distorts the trade so that it is not suitable.
- The movement out-of-range is anticipated to have been corrected by market movements before trading can be actioned.

Thus, the Committee sets permitted strategic ranges around the target investment weightings. In addition, the Committee recognises that in some circumstances a movement outside these investment ranges may be necessary.

Where the Committee believe that a movement outside the strategic ranges will persist (i.e. is a structural or strategic movement out of range), it is expected to prompt either amendment to the ranges expressed in this document or rebalancing back within ranges.

The Administrator performs periodic monitoring of investment positions against strategic ranges and is authorised to make rebalancing instructions (within the Committee's strategic ranges) in consultation with the Investment Adviser. These are reported to the Subcommittee, who monitor the strategic allocations for the Committee and who raise recommendations to it, when they consider if the strategic ranges should be adjusted. Where the Administrator does not re-balance into range, the positions and reasons will be drawn to the attention of the Subcommittee, in both scenarios no later than at the Subcommittee's next standing meeting.

The Committee recognise that when changing investment strategy for the Schemes (which may be carried out in conjunction with the Actuarial Valuation) there may be an implementation period during which each Scheme transitions to its new target investment strategy/allocation (as outlined in Section 4). The Committee (and Subcommittee) will consider this during any re-balancing discussions.

Monitoring performance

After appointment, an investment manager's performance is subject to regular review by the Subcommittee and ongoing review by the Investment Adviser.

Formal review takes place at the meetings of the Subcommittee, which take place on a quarterly basis (and more frequently where necessary).

The Subcommittee will be responsible for the design and operation of a systematic review process, which applies to all managers with the objective of identifying risks which might reduce the chance of each Scheme meeting its strategic objectives.

Monitoring currently takes place against a range of criteria, both qualitative and quantitative, specific to both the manager and asset class. The Subcommittee also regularly meets managers and monitors the ongoing scrutiny of managers by the Investment Adviser.

The Subcommittee, as a result of their monitoring process, will form recommendations to the Committee, such as the reduction of allocations or removal of managers.

Cashflow

The Committee maintains a working cash balance to meet expected benefit payments and expenses arising. The Committee keeps the cash balance under review to ensure that it remains sufficient, taking advice from its Investment Adviser on where to disinvest or invest monies (such as excess cash reserves) when needed.

Where the Fund enters into hedging instruments (for example to manage currency risk) the management of cash to meet margin requirements will be considered as part of ongoing cashflow requirements.

6. The appointment of investment managers

The appointment (and termination) of investment managers to the PEPF follows the requirements of Regulation 12 of the Public Employees (Pension Scheme) (Administration) (Jersey) Regulations 2015. Per the Regulation, the Committee recommends an appointment for the Minister to approve. The Committee must have considered, in coming to its recommendation:

- Proper advice.
- The desirability of securing diversification of the assets of the Fund.
- The total value of assets of the Fund.

The process that the Committee has adopted when formulating an appointment recommendation is as follows:

- **The Subcommittee, assisted by the Administrator, will discuss all the options with the Investment Adviser.** This eventually leads to the latter putting forward a shortlist “best pick” mandate (or mandates), based on its research and judgement to the suitability for the required mandate, considering matters such as investment objectives, risk tolerance, investment process, investment management fees, and the liquidity of the mandate.
- **The Subcommittee, assisted by the Investment Adviser, will consider the candidate investment managers’ approaches to Responsible Investment (RI).** For instance, considering whether a manager has an active or passive approach to its underlying investments (voting, management influence, deployment of capital, performance evaluation metrics etc), the level of resource the manager applies to RI (and whether this is integrated in decision making or is a standalone review function) and other points relevant to the asset class.

- **The Subcommittee, assisted by the Administrator, will then receive or visit (or both) shortlisted managers** to form a view as to suitability and fit, leading to a decision in principle. The Investment Adviser will recommend to the Subcommittee which benchmarks the Investment Adviser intends to use to track performance after appointment.
- **The Subcommittee will then make a recommendation to the Committee.** Approval will be subject to conclusion of due diligence procedures including completion of Operational Due Diligence by the Investment Adviser and Legal Due Diligence by an independent legal adviser.
- **The Committee will then make a recommendation to the Minister,** where this is required by legislation (assuming the Committee supports the Subcommittee's recommendation). The Minister, having received advice from their officers and the advice of the PEPF investment adviser, will determine whether to approve the recommendation.
- **Following the Minister's approval,** the Administrator will ensure the completion of any remaining due diligence work and finalise administrative aspects (including updates to the Appendix of this Statement) and arrange transfer of subscription monies, as approved by the Committee.

7. Custody and accounting arrangements

Custody

The Fund invests in a range of directly held investment assets (referred to as segregated funds) and pooled investment vehicles (PIVs). Investments are held for the Fund by the PEPF custodian, Northern Trust, though in the case of PIVs, underlying investments will be held by the custodian of the PIV with unit of share value recorded by the PEPF custodian. The current investment manager roster is listed in the Appendix.

The Treasurer of the States appointed Northern Trust as the Custodian to the Fund. Northern Trust safe-keeps holdings and performs ancillary activities such as collecting investment income, processes transaction instructions and performs proxy voting for segregated funds and is subject to annual control reviews and periodic value for money reviews.

In the case of PIVs, the investment manager of the PIV fund appoints its own custodian that holds its underlying investment assets.

The Subcommittee receives a report each year from the Investment Adviser on the custody and prime broker arrangements for the Fund's assets. This is not only to keep itself informed of developments in the custody industry but also to keep under careful review the financial strength of the custodians and banks that are responsible for the safe keeping of the Fund's investments, and to consider the mitigation of risk within this crucial aspect of the Schemes' investment arrangements.

The Administrator coordinates instructions to the Custodian and reconciles the Custodian's accounting records with those of the Fund, ultimately producing the audited financial statements of the Fund. The Administrator completes various due diligence activities to monitor the internal control environments of the Custodian and key parties at pooled vehicles throughout the year.

Performance reporting

The Custodian prepares performance reporting based on the valuations it receives from investment managers and market sources. This information is separately verified by the Investment Adviser.

Unitisation and the principle of “treating participants fairly”

The ownership of the Fund, between the two Schemes, is tracked using a method called unitisation which is applied independently by the Custodian and overseen by the Administrator. This involves representing the ownership of “pools” of investments as numbers of units. Unit pricing is based upon the underlying net asset value of investment positions they represent. Unit pricing is determined independently by the Custodian with transfers in and out occurring at the prevailing unit value as calculated by the Custodian.

In the operation of unitisation, an important principle is that the relative proportions of ownership of any pool between Schemes represents a common proportion of ownership in all underlying fund manager investments within that pool.

A pool unit represents a liability of the pool back to the unitholder, underwritten by the assets of that pool. Should a unitholder wish to divest from a pool, this will be achieved by the Administrator selling pool assets to an equivalent value according to the prevailing unit price, returning the liquidated proceeds and simultaneously extinguishing an equivalent value of units.

The overriding principle to the administration of the PEPF is to treat both Schemes fairly. In practice, large transactions can result in significant direct or hidden costs. It may be perceived as unfair for these costs to be shared between the Schemes according to relative holding size when they are generated by the unilateral action of just one Scheme’s instruction. Also, there may be other complicating factors such as the indirect effect on the liquidity profile of the remaining assets in a pool. In some instances, a unit premium or discount (a “spread”) will be applied to the unit price in order to internalise the cost of a transaction to the Scheme instructing it, and insulating the other as far as is possible.

By default, unitisation trades will be completed autonomously by the Custodian on instruction by the Administrator without a spread. However, where the Administrator (or Subcommittee or Investment Adviser) identify the asymmetry of cost/ benefit between Schemes to be material, the Administrator will seek to apply an appropriate spread calculated on historic and best available data. In these circumstances, the Administrator will obtain the Investment Adviser’s agreement to the method and values applied.

Administration

The investment administration activities of the Fund are performed by the Government of Jersey, Treasury Department’s Treasury & Investment Management team (“T&IM”). In summary, T&IM helps the Committee to implement and oversee its investment strategy, supports the Treasurer to meet their accounting and reporting responsibilities, and provides general support to various governing parties as they discharge their legislative roles such as management of investment risk and custody.

8. Investment Risk

One of the key concerns of the Committee is investment risk. To achieve the target level of investment return, an appropriate level of risk needs to be taken. Whilst investment risk can bring a performance upside, conversely, lower returns may be achieved than expected. With this comes a possibility that the returns do not keep pace with the Schemes’ liabilities.

A number of foreseeable and non-foreseeable events could impact the ability of the portfolio to deliver the necessary investment return to meet the Scheme's financial obligations (this is not meant to be an exhaustive list):

- | | |
|----------------------------------|--|
| Credit risks | <ul style="list-style-type: none">• The Fund does not receive the cashflows (amounts or timing) that it expects from its investments. |
| Liquidity risks | <ul style="list-style-type: none">• The risks arising from holding assets that are not readily realisable. |
| Market risks | <ul style="list-style-type: none">• Currency risk: the risk that the exchange rate between sterling and currencies in which overseas assets have been purchased changes adversely, impacting investment values and/ or cashflows.• Interest rate risk: the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.• Price risk: the risk of falling investment markets, which can be caused for a variety of reasons, impacting the fair value of the Fund's investments. Equity market falls are an example of Price risk. |
| Actuarial risks | <ul style="list-style-type: none">• The risk that the Schemes' liabilities increase more quickly than anticipated. This could be caused by, amongst other things, reductions in anticipated future investment returns, rising inflation or variances to life expectancy assumptions. |
| Performance risks | <ul style="list-style-type: none">• That the Fund's Investment Managers do not deliver in line with their stated objectives. |
| Regulatory/ Legislative risks | <ul style="list-style-type: none">• A change in the environment in which the Fund operates has adverse implications for the Schemes' investments or liabilities. |
| Operational risks | <ul style="list-style-type: none">• Loss arising from maladministration, fraud or the structural complexity of the investment firms, vehicles, asset categories and custodians used by both the Schemes and managers. |

The Committee operates an Audit and Risk Subcommittee in order to ensure the risks facing the Schemes, whether investment or otherwise in nature, are given a structured and ongoing overarching review. The underlying detailed review of specific investment risks is performed by the Subcommittee.

Strategically, the Committee primarily manages investment risks through diversification: by asset class, geography and manager, and by a variety of investment styles within asset classes.

Operational risks are addressed through both due diligence prior to investment and structured, ongoing, monitoring as explained in the sections above. The Subcommittee monitors the risks to which the Schemes' assets are exposed on a regular basis. This process includes:

- taking stock of the largest holdings across the whole portfolio.
- analysing the style, sector, and currency exposure of the portfolio as a whole and key sub-portfolios.
- receiving reports from specialists on the operational risk of the Fund's Investment Managers, custodians and prime brokers.
- regular site visits and presentations from the Fund's Investment Managers.

In addition to the above, ongoing due diligence processes are undertaken by both the Investment Adviser and Administrator, with both raising exceptions to the attention of the Subcommittee.

9. Responsible Investment and Corporate Governance

The Committee entrusts the development and application of policies in relation to the UK Corporate Governance Code and the UK Stewardship Code to each of its investment managers. The managers are also held responsible for implementing aspects of good stewardship and environmental, social and governance (“ESG”) issues, including climate change considerations in their activities.

In its review of managers, the Subcommittee receives reports from them summarising their respective policies and how they have exercised voting rights attaching to the stocks held and their engagement with investee firms. Furthermore, the Subcommittee looks to its Investment Adviser to provide relevant guidance on ESG and stewardship issues on a regular basis.

The Subcommittee has not set any investment restrictions on the appointed managers in relation to products or activities.

The Committee has developed a separate Responsible Investment (RI) Policy document which provides greater detail on the RI policies of the Committee which is available on the Government of Jersey website.

10. Annual Review

The Statement of Investment Principles is reviewed by the Committee following any material changes to the Schemes’ policies and principles as contained in the Statement, or at least annually.

Version:
2025.1.0

| Year | SIP Reviewed | SIP update | Appendix update |
|------|--------------|------------|-----------------|
| 2024 | 1 | 1 | 1 |
| 2025 | 1 | 1 | 0 |

Appendix to the Statement of Investment Principles

The Appendix is being updated and will be published shortly

The Appendix to the Statement of Investment Principles is normally published as a standalone document alongside the SIP and sets out how the approved Strategic Allocations are implemented in practice.

The updated SIP introduced several new strategic asset classes, for which manager appointments are expected to be concluded during 2026. To support appropriate diversification, a single asset class may be allocated across multiple managers. While the overall strategic asset allocation is defined within the SIP, the operational allocations between individual managers within those asset classes is dependent on the characteristics of managers yet to be appointed and are therefore still under review.

Work is underway to implement the updated strategic allocations, and an updated Appendix will be published as this work progresses.