

Statement of Investment Principles

Introduction

This integrated Statement has been prepared by the Trustee of the Scheme in accordance specifically with the requirements of Section 35 of the Pensions Act 1995 (as amended).

This Statement supersedes the previous Integrated Statement of Funding & Investment Principles dated 5 December 2024 and reflects the principles and approach to management of the Scheme's investments that took effect from 7 December 2025.

In preparing this Statement, the Trustee has consulted with the employer to the Scheme (Aberdeen Corporate Services Limited) and has taken and considered written advice from Hymans Robertson LLP.

The Trustee monitors the Scheme's investment arrangements on a regular basis, as set out in this Statement.

The Statement itself is reviewed periodically, at least every three years, and will be amended as circumstances change.

Copies of this Statement have been (or will be) given to the Scheme's Investment Consultants and Advisers, the Scheme Actuary, the Scheme's Covenant Advisers and the Scheme's Investment Manager. The Scheme will publish this Statement and an Implementation Statement regarding annual engagement and voting reports on a publicly available website.

<https://www.stagecoachbus.com/corporate/financial>

Copies of this Statement are also available to members of the Scheme on request, and a summary of key investment information is included in the Trustee's annual report and the annual summary report sent to all defined benefit members.

Scheme Objectives

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis.

The Trustee expects the yield and future realised returns of the overall strategy to be able to support the assumed discount rates for funding purposes with margins for prudence and will achieve a rate of return of between 1.5% and 2.0% in excess of the return on a portfolio of gilts, net of fees. The Trustee does so in the belief that such a structure:

- will generate a satisfactory return over the long-run, sufficient to meet the Scheme's liabilities as they fall due;
- will provide sufficient total income to pay pensions and other benefits and Scheme expenses as these fall due over the short, medium and long-term;
- embodies a prudent approach through the implementation of an investment strategy which is diversified between asset classes;
- recognises the need to manage interest rate and inflation risks as the investment strategy is structured to closely match the Scheme's liability cashflows

Investment strategy

Responsibility for the management of the Scheme's assets is vested in the Trustee. The Trustee has delegated responsibility for the day-to-day management of the Scheme's assets to Aberdeen Investments Limited ("the Investment Manager"). The Investment Manager is regulated by the UK's Financial Conduct Authority in the conduct of their investment business.

The Investment Manager is responsible for setting an asset allocation appropriate to meet the Trustee's objectives, in consultation with the Trustee and its Investment Adviser. The Trustee has agreed that asset allocation will be subject to an annualised volatility constraint of 4.5% p.a.

The Investment Manager is expected to manage the Scheme's assets within a single multi-asset portfolio. Within this portfolio, the Investment Manager is expected to hold Liability Matching assets and Return Seeking assets.

In addressing the management of interest rate and inflation risks, the Trustee has instructed the Investment Manager to target hedge levels, against liabilities discounted at a rate of gilts+0.5% p.a., as follows:

Interest rates:	105%
Inflation:	105%

The target hedging levels are set above 100% to reflect the Trustee's objective of securing a 5% funding buffer on the agreed long-term basis. In the event that the funding level falls below 105%, the Trustee expects that the Investment Manager will adjust the target hedging levels down to match the prevailing funding level.

The Trustee's preference is for hedging to be achieved through direct investment in physical assets, rather than through using derivative contracts, as far as possible. However, the Trustee expects that to achieve the investment objective, the Investment Manager will make use of derivative contracts to accurately hedge the term structure of the Scheme's liabilities. The Trustee expects the Investment Manager to manage leverage levels prudently and to report collateral positions on at least a monthly basis.

The Trustee expects the Investment Manager to maintain the hedging position at or around these levels, with a tolerance range of +/-5% (broadly equivalent to a variation in the duration of the hedging of +/-0.5 years).

The Trustee expects the Investment Manager to take remedial action should any material deviation from the target hedge level arise or, if no action is taken, to report to the Trustee on the reasons for any ongoing discrepancy.

Kinds of investment to be held

The Scheme may invest in listed (public market) and unlisted (private market) securities of UK and overseas companies and governments, including equities and fixed interest and index linked bonds. Fixed interest investments include bonds, loans and securitised investments such as asset-based securities. The Scheme may also invest in assets including cash, property (equity and debt), infrastructure (equity and debt), insurance-linked securities and commodities. Assets may be held directly or through pooled funds.

The Scheme may also make use of contracts of insurance, derivatives (including but not limited to interest rate and inflation swaps, futures contracts, gilt repurchase agreements) and contracts for difference (or in pooled funds investing in these products) for the purposes of efficient portfolio management or to hedge specific risks. The Trustee considers all these classes of investment to be suitable in the circumstances of the Scheme.

The Investment Manager will hold a mix of investments which reflects their view relative to the return targets, maintaining the broad principle of diversification within the implementation of the strategy.

The Trustee recognises that opportunities may arise to invest in new asset classes or strategies identified by the Investment Manager. The Investment Manager may invest in such opportunities where they have the capability to do so and the opportunity falls within the restrictions set out in the Investment Management Agreement. The Investment Manager is expected to consult with the Trustee prior to committing capital in support of a new capability.

The Trustee retains legacy investments in Real Estate and Private Equity which are held outside of the agreement with the Investment Manager. The Trustee expects all the existing investments to be realised by around 2027. The Trustee will take appropriate advice and input, including from the Investment Manager, in respect of any actions to be taken regarding these assets. However, it is expected that the proceeds from these investments be either transferred to the Manager or used to pay benefits to members.

Implementation of investment strategy

The Investment Manager is appointed through an Investment Management Agreement which sets out the scope of the manager's duties, fees, and investment restrictions, together with any other relevant matters in relation to the Scheme.

The Trustee has sought advice from its investment advisers on the suitability of the appointment of the Investment Manager, the strategy to be adopted and the investment guidelines and restrictions

The Investment Manager has discretion as to the manner of implementation of any component of the strategy. The Investment Manager may implement strategies through the direct management of assets within segregated accounts, or the use of in-house pooled funds.

The Trustee has imposed the following constraints on the Investment Manager within the day-to-day management of assets:

- Exposure to Return Seeking assets will not exceed 50% of total assets, noting that any allocation to investment grade credit will not be included within this constraint, albeit may contribute to the delivery of the objective.
- Bonds purchased for inclusion in the Liability Matching portfolio will be investment grade at the point of purchase.
- Exposure to equity markets will not exceed 25% of total assets.
- Exposure to illiquid assets other than property will not exceed 15% of total assets.
- No investment will be made in any investment with an expected maturity beyond 2040, other than where there is an expectation that the investment can be readily liquidated.
- No investment will be made in the equity or debt of the Sponsoring Employer, other than when held as part of a pooled fund

The Trustee may agree to vary these constraints in consultation with the Investment Manager

The Trustee will review the ongoing appropriateness of these constraints at least every three years.

As long-term investors, the Trustee has engaged the Investment Manager with no pre-determined term of appointment. The Trustee will assess performance of the Investment Manager over a three to five year period, this being the period over which performance of the Investment Manager can be appropriately evaluated.

The Trustee recognises that the Investment Manager should be fairly paid for the management of assets and remuneration is determined at the inception of the mandate based on commercial considerations and set on an ad valorem basis. The Trustee periodically reviews the fees paid to the Investment Manager against industry benchmarks.

In reviewing the Investment Manager, the Trustee considers a series of metrics, including financial performance against expectations for the mandate, the exercise of stewardship responsibilities as set out in greater detail below, and the management of risks. Where necessary, the Trustee will highlight any areas of concern identified during such reviews to the Investment Manager as part of their

engagement process and request that the Investment Manager take appropriate action. This may include concerns over performance, risk management, stewardship practices, investment process and operational issues and, where such concerns are raised, the Trustee will require the Investment Manager to demonstrate levels of improvement. Failure to achieve the desired improvements may result in the mandate being terminated.

The Trustee receives quarterly updates on the performance of the Scheme's assets relative to agreed targets and performance of the overall strategy against the Scheme's liabilities. The Scheme's Funding and Investment Sub Committee also meets at least four times a year to review performance against objectives.

The Trustee considers these arrangements to be appropriate for the Scheme, providing a reasonable and prudent approach to risk and return.

Consideration of financially material factors in investment arrangements

The Trustee has adopted a policy of delegating responsibility for the consideration of environmental, social and governance (ESG) issues at a security level to their Investment Manager. The stance of the Investment Manager is reviewed at regular intervals with the support of the Trustee's advisers. The Trustee has discussed attitudes to ESG issues and the extent to which such issues are integrated into the investment processes of their Investment Manager. They are satisfied that the Investment Manager is taking an approach to their selection of investments which takes account of all financially material factors, including climate change and other ESG.

The Trustee emphasises the importance of long-term returns in their investment mandates and believes this naturally encourages their appointed Investment Manager to both take a correspondingly long-term view in their security selection and to regard themselves not merely as the owners of negotiable securities but also as the part-owners or creditors of the underlying investee companies, and preferred creditors of government issuers. In these ways, the Investment Manager, acting on behalf of the Trustee, is expected to have a natural interest in ensuring that corporate management and governments act in the long-term interests of, and, where appropriate, engage with shareholders or bondholders.

The Trustee has not made any direct allowance for the long-term risks of climate change in their high-level investment strategy, but expects their appointed Investment Manager to properly recognise the potential financial impacts of climate change on the Scheme's assets within their investment decision making.

As part of its triennial review the Trustee undertakes scenario analysis to explore the potential sensitivity of its funding and investment strategy to adverse changes in economic outcomes, including as a consequence of climate change. The Trustee reviews the range of scenarios considered in this exercise to ensure they remain appropriate to prevailing economic conditions, regulatory requirements and best practices.

Consideration of non-financially material factors in investment arrangements

The Trustee has not imposed any restrictions relating to ESG (including climate change) issues on their Investment Manager and there are no exclusions applied to investment arrangements based on non-financially material factors.

Stewardship & Engagement

The Trustee will meet with their Investment Manager on a regular basis. Prior to each meeting, the Trustee will agree with their Manager an appropriate agenda for discussion, including issues relating to investment strategy, individual holdings and, where appropriate, ESG issues.

Performance of the Investment Manager is measured against a series of financial metrics including return and risk parameters, hedging levels and collateral buffers. The Investment Manager is regularly challenged both directly by the Trustee and its investment advisers on the impact of any significant

issues including prevailing economic and market conditions, regulatory change, government policy and relevant ESG factors that affect the prospects for any holding within the portfolio.

Where necessary, the Trustee will engage with and may seek further information from their Investment Manager on how the portfolio may be affected by a particular issue.

The Trustee does not engage directly with issuers but actively encourages their Investment Manager to do so. The Trustee expects their Investment Manager to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to consider the management of conflicts of interest and improve corporate or government behaviours, improve performance and mitigate financial risks. Where necessary, the Investment Manager is expected to notify the Trustee of any issue on which it may be beneficial for the Trustee to undertake further engagement. The Trustee will review engagement activity undertaken by their Investment Manager as part of their broader monitoring activity.

The Trustee has adopted a policy of delegating voting decisions on securities to their Investment Manager, who will exercise the voting rights attached to individual investments on their behalf in accordance with their own house policy.

The Trustee has reviewed the voting policy of its Investment Manager and determined that the policy is appropriate. On an annual basis, the Trustee will request their Investment Manager to provide details of any change in their house policy.

The Investment Manager will report on voting activity to the Trustee on a periodic basis. The Trustee will monitor the Investment Manager's voting activity, including making use of industry standard voting templates, and may periodically review voting patterns. The Trustee may also monitor the Investment Manager's voting on particular companies or issues affecting more than one company.

The Trustee separately considers any conflicts of interest arising in the management of the Scheme and its investments and has ensured that the Investment Manager has an appropriate conflicts of interest policy in place.

Attitudes to Risk

The Trustee has good reason to believe that the Investment Manager is prudent and professional in its approach to investment. The Investment Manager is mandated to hold a diversified portfolio of assets to reduce any single security specific or country specific risks faced by the Scheme.

The Trustee has exercised due diligence in the selection of the Investment Manager and its range of capabilities. The Trustee will maintain a monitoring framework to identify any potential concerns that may arise within the Investment Manager and ensure that any concern identified is appropriately rectified.

The Trustee has set an investment objective and mandated the Investment Manager to deliver performance relative to the expected change in value of the Scheme's liabilities. The investment strategy implemented by the Investment Manager is framed within a specified risk budget agreed by the Trustee and monitored on an ongoing basis. The relationship between the assets and liabilities is monitored by the Trustee, the Scheme Actuary and the Principal Employer through regular actuarial valuations and updates.

To ensure that short-term liquidity requirements can be met, the Trustee expects the Investment Manager to maintain an appropriate level of liquid assets.

The Trustee regularly monitors payments into and out of Trustee Bank Accounts, primarily to anticipate short cash requirements, partly to ensure Participating Employers comply with the agreed Schedule of Contributions (if and when appropriate), and also to act as an early warning of any material changes in the liability profile or cash demands of the Scheme. The Trustee also monitors its long-term cash flow projections for the Scheme.

Credit risk

The Scheme is mainly subject to credit risk in respect of the employer covenant of the Scheme's Principal Employer.

The Scheme invests in index-linked and other government securities, corporate credit instruments and has cash balances. Credit risk arising on nominal and index-linked securities is mitigated by investing in government securities where the risk of default is expected to be minimal. In the case of corporate debt, credit risk is managed through the skills of the Investment Manager in assessing and selecting appropriate assets.

Cash is held within financial institutions which are not just investment grade credit rated (BBB or higher) but typically high-quality investment grade (AA).

Counterparty banks will be subject to review by the Investment Manager against internal criteria to ensure creditworthiness. Derivative positions are expected to be collateralised.

Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are listed on overseas markets or otherwise denominated in currencies other than sterling. Even investments listed in the UK may also be subject to currency risks affecting revenues, costs and profits from overseas subsidiary and associate businesses. The Trustee's Investment Manager has been delegated responsibility for the management of currency risk within their mandate.

Interest rate risk

The Trustee recognises that changes to long-term interest rates create a risk between how assets and liabilities are valued. The hedging arrangements seek to provide a match to the profile and interest rate sensitivity of the Scheme's longer-term cashflows.

Inflation risks

The Trustee recognises that inflation presents a real risk through its impact on future liability payments from the Scheme, where this is provided for by the Rules of the Scheme. The Trustee manages exposure to inflation risk directly through the hedging arrangements which provides an explicit match to future price inflation.

Climate risk

The Scheme may be exposed to the physical and transition risks arising from climate change. Such risks are likely to manifest initially as impacts on the value of and returns derived from the Scheme's invested assets. In extremis, climate risks could give rise to an asset, or a proportion of an asset being stranded and having nil value.

The Trustee relies on its Investment Manager to identify and manage exposure to climate related risks. The Trustee regularly reviews the processes employed by the Investment Manager and their approach to assessing climate related risks both within the portfolios managed on behalf of the Scheme, and at a broader firm level. The Trustee reviews this assessment on an annual basis and reports the outcome of their assessment through their regulatory disclosures.

Other risks

The Trustee recognises that investment risk arises in the operational management of the Scheme and has identified the following major risks:

- **Transition risk:** The risk of incurring unexpected costs in relation to the transition of assets between managers.

- **Custody risk:** The risk of losing economic rights to Scheme assets, when held in custody or when being traded.

Realisation of Investments

The Trustee delegates the monitoring and management of operational risks to the Investment Manager. Across all assets the Trustee monitors risks in these areas through a process of regular scrutiny of the Investment Manager and audit of the operations it conducts for the Scheme. When carrying out significant transitions, the Trustee seeks professional advice.

The Trustee's policy is to ensure that the assets invested are sufficiently realisable, when necessary, to enable the Trustee to meet its obligations to provide benefits as they fall due. This is monitored regularly on a short term basis to ensure the Scheme always has sufficient cash to pay benefits as they fall due and, on a long term basis, to identify projected peak demands for cash to pay benefits, so that the investments are appropriately structured to meet expected future liquidity requirements. The Trustee is satisfied that the arrangements in place conform to this policy.

Portfolio turnover

The Trustee has expectations of the level of turnover within the portfolio based on the Trustee's knowledge of the Investment Manager, the investment processes employed and the assets expected to be held. The Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, and expects the Investment Manager to report on at least an annual basis on the underlying assets held within the portfolio and details of any transactions over the period. The Trustee will challenge the Investment Manager if there is a sudden change in portfolio turnover or if the level of turnover seems excessive or much lower than expected. The Trustee will request and review turnover costs incurred by the Investment Manager over the Scheme reporting year.

Additional Voluntary Contributions

The Scheme retains legacy Unit Linked AVC arrangements with Standard Life (which includes UK Equity, International Equity, Ethical, Long Term Gilt, With Profits and Cash options) and Prudential (a pure Deposit arrangement) for certain former active members.

Compliance

This Statement of Investment Principles has been approved by the Trustee.

Signed on behalf of the Trustee by:

John Hamilton

Name: John Hamilton
Date: 18 December 2025

Nick Chadha

Name: Nick Chadha for and on behalf of PAN Trustees UK LLP
Date: 18 December 2025