BG PENSION SCHEME STATEMENT OF INVESTMENT PRINCIPLES

This is the Statement of Investment Principles made by the Trustee Directors of BG Group Pension Trustees Limited ("the Trustee") for the BG Pension Scheme (the "Scheme") in accordance with the Pensions Act 1995, as amended. It is subject to periodic review by the Trustee at least every three years and more frequently as appropriate for example without delay after any significant change in investment policy.

In preparing this Statement, the Trustee has consulted with the principal employer to the Scheme (BG Group) and has taken written advice from its investment advisers, Shell Asset Management Company (SAMCo) and Hymans Robertson (together "the Advisers").

Scheme objective

The primary objective of the Scheme is to ensure the payment of benefits to members as they fall due.

The Trustees' over-riding funding principles for the Scheme are to set the investment strategy and the level of the employer contribution which are sufficient to:

- recover any shortfall in assets relative to the value placed on accrued liabilities over the longer term; and
- ensure that there are always sufficient assets of the Scheme (at their realisable value) to meet 100% of benefits as they fall due for payment to members.

The funding position is monitored regularly by the Trustee and its Advisers.

Investment governance structure

The Trustee has overall responsibility for ensuring that investment considerations are taken into account, where relevant, in all areas of the Scheme's management and retains overall responsibility for the setting and implementation of the Scheme's investment approach. This includes responsibility for ensuring all regulatory requirements are met and that the Scheme's governance processes are sufficient to ensure the proper management of all investment-related risks.

The Trustee maintains oversight of investment-related risks and opportunities which are relevant to the Scheme through the governance processes in place.

In fulfilling this duty, the Trustee delegates certain responsibilities to other parties. The investment consultant works closely with SAMCo to design and provide advice to the Trustee which results in an investment approach that reflects the Scheme's cashflow position, and likely evolution, and which minimises the risk of forced disinvestment at an inopportune time. They also support the Trustee towards understanding the Task Force on Climate-related Financial Disclosures (TCFD) governance and reporting requirements, and to understand and manage climate-related risks within the strategy.

The Trustee delegates the authority for the following activities to SAMCo:

- Instructing reinvestments of management fee rebates.
- Payment of monthly cashflows and associated disinvestment where needed, as requested by the Scheme administrator (for payment of monthly payroll, process member transfers and invoices).
- Reinvestment of dividends and liquidation proceeds consistent with the strategic asset allocation set out in the Statement of Investment Principles.

Investment strategy

The Trustee, having taken advice from its Advisers and having consulted with the Sponsor, has set an investment strategy and agreed an asset allocation "the Strategic Benchmark" with the aim to generate sufficient returns so that by 2028 the fund is fully funded on a gilts' +0% basis. The Strategic Benchmark is set out in the Appendix.

The Strategic Benchmark reflects the choice and mix of funds in which the Scheme invests. The Strategic Benchmark is consistent with the Trustee's view of the appropriate balance between seeking an enhanced long-term return on investments and accepting greater short-term volatility and risk.

The investment strategy considers the maturity profile (in terms of the relative proportions of liabilities in respect of pensioners and non-pensioners) and the funding level of the Scheme (relative to the funding bases used). The Trustee and its Advisers monitor fund performance relative to the agreed asset allocation benchmarks.

The Trustee and its Advisers monitor the performance of the Scheme investments relative to agreed criteria on a regular basis.

Choosing investments

The Trustee will appoint one or more investment managers who are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Trustee has decided to invest on both a pooled fund basis and a segregated basis. Investments are effected through a direct agreement with investment managers and/or through insurance contracts. Within the constraints of the fund documentation or pre-agreed guidelines, the investment manager of each mandate or underlying fund has full discretion over the choice of individual stocks and is expected to maintain a diversified portfolio. The Trustee and its Advisers are satisfied that the mandates selected are consistent with the objectives of the Scheme, including in relation to diversification, risk, expected return and liquidity.

For segregated mandates, the basis on which the manager is engaged will be defined specifically for the Scheme. Where the Trustee invests in pooled funds, the objectives of the fund and the policies of the investment manager will be evaluated by the Trustee to ensure that they are appropriate for the needs of the Scheme.

Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations and is typically set on an ad valorem basis. Where appropriate to the nature of the mandate, the term of the mandate and the role the mandate plays within the investment strategy, the Trustee may agree to a fee structure where the manager is incentivised to deliver outperformance relative to an agreed benchmark, typically in conjunction with a lower ad valorem fee. The Trustee periodically reviews the fees paid to all of its managers against industry standards.

The Trustee reviews the nature of Scheme investments on a regular basis, with particular reference to suitability and diversification. The Trustee seeks and considers written advice from a suitably qualified person when determining the appropriateness of each manager and mandate for the Scheme, particularly in relation to diversification, risk, expected return and liquidity. If, at any time, investment in a security or product not previously known to the Trustee is proposed, appropriate advice is sought and considered to ensure its suitability. The Trustee recognises the long term nature of its liability profile and appoints its managers to invest in such a way that generates long term sustainable returns. The Trustee will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the Scheme objective.

The duration of each mandate is determined by the Trustees at the inception of each mandate. For open-ended investments, the Trustee generally engages managers on an ongoing basis with no pre-determined term of appointment. For such mandates, the Trustee expects the minimum duration of the appointment will be three years, this being the period over which the performance of the mandate can be appropriately evaluated although all mandates are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy. For close-ended investments, the Trustees expect the term of the appointment to be the lifetime of the investment.

The Trustee monitors its managers performance against their respective benchmarks on a quarterly basis over a long term time horizon. Managers are expected to provide an explanation for any significant deviations away from the benchmark.

Investments held

The Scheme may invest in quoted and unquoted securities of UK and overseas markets, including equities, fixed interest, index linked bonds, cash, property, alternative asset classes and limited partnerships either directly or through pooled funds. The Scheme may also make use of derivatives, repurchase agreements and contracts for difference (either directly or in pooled funds investing in these products) for the purpose of efficient portfolio management or to hedge specific risks.

Risk

The Trustee and its Advisers monitor and manage risk in a number of ways. The asset allocation benchmark has been determined with specific reference to the Scheme's liabilities and this is reviewed formally at least once every three years. The Trustee also places a constraint on the asset allocations of all managers. The investments are periodically rebalanced to target weight if they have moved outside of an appropriate range.

The Trustee recognises that the Scheme is exposed to investment, funding, currency and operational risks, its approach is to integrate management of those risks.
The Trustee has implemented a liability hedging strategy to partially hedge the value of the assets against the Scheme's liabilities which reflect movements in interest and inflation rates. In part, this is achieved through derivative instruments and repurchase agreements.

Expected return on investments

Over the long term, the overall level of investment returns is expected to exceed the rate of return assumed by the Actuary in funding the Scheme.

Realisation of investments

The majority of the Schemes investments may be realised quickly if required. However, the Trustee recognises that some of the Scheme's investments may be more difficult to realise quickly, and that this may be exacerbated in certain circumstances. The Trustee has mitigations in place if this scenario were to occur.

In the light of the new guidance on using leveraged liability driven investment issued by the Pensions Regulator (TPR), the Trustee has reviewed their liability driven investment (LDI) processes, documented separately, to ensure they are reflective of the new guidance.

Portfolio turnover

The Trustee has expectations of the level of turnover within each mandate which is determined at the inception of the mandate, based on the Trustee's knowledge of the manager, investment process and the nature of the portfolio. Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee expects managers 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 its managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive. The Trustee will request turnover costs incurred by the asset manager over the Scheme reporting year.

Custody

The Trustee has appointed Northern Trust as global custodian for all its assets managed on a pooled and segregated basis.

Responsible Investment – Environmental, Social and Governance ("ESG") considerations

The Trustee is a responsible steward of the assets in which it invests. The Trustee's primary concern is to act in the best financial interests of its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

In taking material financial factors, including corporate governance, environmental (such as financial risks relating to climate change), and social considerations into account, the Trustee expects to both protect and enhance the value of the Scheme in the long term. The Trustee considers ESG, and financial risk from climate change, in a manner which is consistent with the Trustee's investment objectives, legal duties and other relevant commitments.

The Trustee expects all investment managers:

- Where relevant to assess the integration of ESG factors in the investment process
- To use their influence to engage with underlying managers to ensure the Schemes' assets are not exposed to undue risk; and
- Report to the Trustees and its advisers on its ESG activities

In passive mandates, the Trustee recognises that the choice of benchmark dictates the assets held by the investment manager and that the manager has minimal discretion to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive manager is to deliver returns in line with the market and believes this approach is in line with the basis on which their current strategy has been set.

In active mandates, the Trustee recognises that the manager has freedom to exercise discretion as to the choice of assets held. The Trustee expects the manager to take into account all financially material factors in the selection of assets within their portfolios and to be able to demonstrate their approach when challenged.

Mandates are implemented for a period which is appropriate to the timeframe of the investment objectives. The structure of the mandate and the basis on which each asset manager is appointed will therefore have explicitly or implicitly defined expectations as to the timeframes of individual investment decisions. In appointing new investment managers, the Trustee will explicitly consider the managers' ability to integrate the consideration of ESG factors within their investment process. The Trustee will also periodically review their investment managers and seek evidence that managers are meeting the Trustees expectations with regard to the integration of ESG factors.

Climate-related risks are viewed as a subset of ESG risks and is the extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy. These risks span both the funding and investment of the Scheme, with ESG and, in particular, climate-related risks being considered as a systemic risk that may cause economic, financial and demographic impacts.

The Trustee periodically discusses the impact of climate change on investment decisions with its advisers and investment managers to consider the potential implications for the Scheme's investments. The Trustee recognises the significance of climate change as an emerging risk and ensure that appropriate governance arrangements are in place to aid in managing this risk in the future. This includes reporting in line with the TCFD requirements prompted by the Pension Schemes Act 2021.

Members' Views on ESG and Non-Financial Factors

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly consider non-financial factors, as defined under the Occupational Pension Schemes (Investment) Regulations 2005, as amended.

The Trustee sets and implements the Scheme's investment strategy in line with the principles set out in this statement. The complex nature of asset liability modelling and the requirement for professional expertise in investment management means that the Trustee does not involve members and beneficiaries in this process. Members can contact The Trustee to share views and concerns about any aspect of the running of the Scheme.

Stewardship and Engagement

A consequence of the Trustee predominantly investing via pooled funds is that voting decisions are delegated to the investment managers. The Trustee expects the Scheme's investment managers to exercise any voting rights attached to individual investments in accordance with their own house policy, with the objective of preserving and enhancing long term value for investors. Given that the Scheme does not currently invest in any equity holdings, we have not assessed the direct voting activity of any of the investment managers over the year ending 31 March 2023. No voting rights are attached to any of the Scheme's other underlying assets held on behalf of the Trustee, so there is no voting behaviour or activity by the managers on which to report.

Where appropriate, the Trustee and its Advisers will engage with and may seek further information from their investment managers on how portfolios may be affected by a particular issue.

The Trustee and its Advisers do not engage directly with issuers but believe it is sometimes appropriate for its investment managers 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 to improve corporate behaviours, improve performance and mitigate financial risks. Where necessary, investment managers are 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 managers as part of its broader monitoring activity.

Responsibility for investment decisions has been delegated to the investment managers which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where managers are responsible for investing in new issuance, the Trustee expects the manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

Investment managers are remunerated to deliver performance from the companies/assets in which they invest and the Trustee's expectation is that stewardship is an integral element of the duties of investment managers. As part of the arrangements with investment managers the Trustee will question and monitor investment managers on engagement, including as regards investment managers making decisions based on assessments about medium to long-term financial performance of issuers and engaging with issuers to improve their performance in the medium to long-term. The Trustee will encourage ongoing dialogue between investment managers and companies.

The Trustee separately considers any conflicts of interest arising in the management of the Scheme and its investments. It ensures that each new manager has an appropriate conflicts of interest policy in place. New Managers are required to disclose any potential or actual conflict of interest to the Trustee.

Monitoring

The Trustees Advisers aim to review all investment managers on a regular basis, but at least once per year. The Advisers provide the investment managers with an agenda for discussion, including, where appropriate, ESG issues. Investment managers are challenged on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

Where necessary, the Trustee will highlight any areas of concern identified during such reviews to the manager as part of its engagement process and request that the manager takes 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 manager to demonstrate levels of improvement. Failure to achieve the desired improvements will result in the mandate being reduced or terminated.

Additional Contributions (ACs)

Members with ACs are provided with the opportunity to invest in a range of vehicles at each member's discretion.

Signed For and on Behalf of the Trustees of the BG Pension Scheme.

Richard Hubbard, Chair of the Trustee 28 March 2024

Appendix I

Strategic Benchmark

The current Strategic Benchmark for the Scheme is set out below.

Manager	Asset Class	Target allocation * (%)
Return Seeking Assets		
CBRE	Property	0
Henderson	Multi-Asset Credit	0
TwentyFour	Asset Backed Securities	8
M&G	Illiquid Credit Opportunities	0
SCOR	Insurance Linked Securities	0
Wellington	Emerging Market Debt LC	4
Total		12
Matching Assets and Liquidity		
Insight	Liquidity	1
Insight	Currency Hedging	0
Insight	LDI	62
M&G	GBP Corporate Credit	25
Total		88
Total Scheme assets		100
Target Interest Hedge Ratio**		98%
Target Inflation Hedge Ratio**		98%

*The Allocation % may differ from the Target Allocation during periods of transition or following market movements.

** The LDI portfolio uses leverage to achieve its objective to match (or outperform) changes in the Scheme liabilities due to movements in interest rates and inflation.