



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 and regulations made under it, each 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 PLC) and has taken written advice from its Investment Adviser, Hymans Robertson.

The current version of the Statement is available to members on <https://pensions.shell.co.uk/bg-pension-scheme.html>

Scheme objective

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.

Funding Principle

The Trustee’s over-riding funding principles for the Scheme is to ensure that there are always sufficient assets in the Scheme (at their realisable value) to meet 100% of benefits as they fall due for payment to members.

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 Trustee has appointed an Investment Adviser to bring an external perspective and provide additional support as required. The appointed Investment Adviser has the knowledge and experience required to execute its function as required under the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Investment Adviser is remunerated on a fixed fee basis with additional work charged on a time and materials basis. Objectives for the Investment Adviser are reviewed every three years, and following any material change in the investment strategy, and the Investment Adviser is assessed against the objectives annually.

The Trustee receives quarterly reports from the Investment Adviser on various items including the investment strategy and performance of the portfolio.

Investment strategy and investments held

In September 2024, the Trustee entered into an insurance policy ("the Policy") with Legal and General Assurance Society Limited ("L&G") that is expected to meet the benefits of all Scheme members in full. In return for the payment of a premium the Trustee hold an insurance policy with L&G. Under the Policy, L&G makes monthly payments to the Scheme to match the insured liabilities and cover benefit payments to members. L&G covers the longevity risks of members as well as the investment risks of the assets under the Policy. In entering the Policy, the Trustee received written advice as described below from its professional advisers.

L&G is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority. The Trustee carried out extensive due diligence assessment on L&G, noting the regulatory environment in which the insurer must operate.

The Trustee, having taken advice from its Investment Adviser and having consulted with the principal employer, has set an investment strategy and agreed an asset allocation "the Strategic Asset Allocation" with the aim to generate sufficient returns to achieve its objectives.

The Strategic Asset Allocation reflects the choice and mix of funds in which the Scheme invests. The Strategic Asset Allocation is consistent with the Trustee's view of the appropriate balance between seeking a level of return commensurate with an acceptable level of risk.

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

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.

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.

Before entering into any new investments, the Trustee will consult with the principal employer to the Scheme (BG Group PLC).

The Trustee can decide 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 Investment Adviser are satisfied that the mandates selected are consistent with the objectives and strategy of the Scheme, including in relation to diversification, risk, expected return, liquidity, financially material considerations and non-financial matters.

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 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 asset allocation (and to engage with underlying issuers of debt or equity for this purpose), typically in conjunction with a lower ad valorem fee. The Trustee periodically reviews the fees paid to 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 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 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 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.

Suitability

The Trustee has taken advice from its advisers including the Scheme's Risk Transfer Adviser (LCP), legal advisers and the Scheme Actuary as regards the suitability of an insurance policy. In particular, the Trustee has obtained and considered proper written advice from its Risk Transfer Adviser on the question of whether the Policy is a satisfactory investment, having regard to the need for suitable and appropriately diversified investments and the requirements of section 36 of the Pensions Act 1995, and taking account of the primary objective of the Scheme. Following this advice, the Trustee's conclusion is that the Policy is suitable for the purpose of meeting the primary objective.

After entering into the Policy, the Scheme was left with residual assets, comprising of cash and illiquid assets in run-off. The Trustee has agreed a strategic asset allocation for the Scheme's residual assets. This allocation is consistent with the Trustees' views on the appropriate balance between generating a satisfactory medium to long-term return on investments whilst taking account of liquidity needs, market volatility and risk.

Risk

The Trustee and its Investment Adviser monitor and manage risk in a number of ways. The asset allocation has been determined with specific reference to the Scheme's objectives and this is reviewed formally at least once every three years. The Trustee also monitors the asset allocations of all managers. The investments are rebalanced 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. Most of the key risks the Scheme is exposed to (for example longevity and investment) have been mitigated by entering into the Policy.

At the same time, the Trustee recognises that by entering into the Policy, the Scheme is exposed to the following new risks:

- **Insurer Default:** The principal risk facing the Scheme is that L&G may default on its obligations under the Policy. To mitigate this, the Trustee has:
 - obtained and carefully considered professional advice regarding the financial strength of L&G and commissioned due diligence on L&G prior to entering into the Policy;
 - investigated the risk of failure within the UK insurance sector impacting the ability of L&G to meet its obligations and the protection provided by the reserving requirements and stress testing put in place by the insurance regulatory regime;
 - included termination rights in the Policy, which provide the Trustee with protection if L&G fails to meet the contractual obligations;
 - considered that a decision to invest in the Policy with a single provider represents a concentration of risk,and concluded that the risk was acceptably low.
- **Liquidity risk:** The Trustee ensures that in the Scheme's bank account a sufficient cash balance is available to meet the required outgoings and is measured by the level of cash flow required by the Scheme over a specified period.

Realisation of assets

The Scheme is invested primarily in a Policy under which L&G which makes monthly payments to the Scheme covering members' benefit payments.

Following payment of the insurance premium, the Scheme's residual assets are held as reserves against:

- The expenses of running the Scheme that are not covered by the Policy;
- A cash balance for the Scheme's administrators to facilitate the timely payment of benefits alongside a general contingency reserve.

The remaining assets for meeting expenses and other contingencies were invested in accordance with the Trustees' views on the appropriate balance between generating a satisfactory medium to long-term return on investments whilst taking account of liquidity needs, market volatility and risk. These assets can be realised quickly if required. The illiquid assets in run-off may be difficult to realise quickly. The illiquid assets cashflow projections are monitored and reported to the Trustee quarterly.

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.

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 Investment Adviser 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 believe 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 consider 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. 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 regarding 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 recognises that the consideration of financially material factors, including ESG factors and climate change, is relevant at different stages of the investment process.

The Trustee has entered into a full buy-in contract with L&G. The Policy has not been structured with expected return in mind, but instead aims to match the Scheme's benefit obligations. Given the nature of the Policy, the Trustee does not determine the strategic asset allocation adopted by L&G.

As part of the broader formal selection process and review criteria for L&G, including financial strength and market experience, the Trustee considered ESG matters and received the guidance of professional advisers in this area. The insurer's integration of ESG into their processes and use of independent assessment on ESG criteria were highlighted as positive features for consideration.

The Trustee periodically discusses the impact of climate change on investment decisions with its Investment Adviser 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.

The Trustee has not imposed any restrictions or exclusions to the investment arrangements based on non-financially material factors.

Stewardship and Engagement

The Trustee and its Investment Adviser do not engage directly with the underlying portfolios 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 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.

Given that the Scheme is primarily invested in an insurer buy-in contract, alongside illiquid assets in run-off and other high quality and liquid securities with a low risk profile, monitoring opportunities for engagement and voting are extremely limited. The Trustee is mindful and accepting of this.

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.

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

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.

Monitoring

The Trustees and the Investment Adviser aim to review the investment managers on a regular basis. The Investment Adviser provides 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.

The Insurance policy has specific termination clauses which provide the Trustee with protection if L&G fails

to meet the contractual obligations.

The Trustee receives quarterly reports from its Investment Adviser on various items including the investment strategy and performance of the portfolio.

The Trustee and its Investment Adviser monitor the performance of the Scheme investments in run-off relative to agreed criteria on a regular basis.

The Trustee assesses the Investment Adviser against the agreed objectives for the Investment Adviser annually.

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

11th June 2026