

STATEMENT OF INVESTMENT PRINCIPLES
OF THE SANTANDER (UK) GROUP PENSION SCHEME
July 2026

Background

1. Trustees of pension funds are required to prepare a statement of principles governing investment decisions and review it at least every three years or after any significant change in investment policy. This document contains the statement for the Santander (UK) Group Pension Scheme ("the Scheme") and is prepared by Santander (UK) Group Pension Scheme Trustees Limited ("the Trustee").
2. The Scheme is made up of seven actuarially separate sections (the "Sections") and participates in the Santander (UK) Common Investment Fund ("the CF"). The Scheme operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries. The Scheme provides final salary benefits, following the transfer of the money purchase section to a Master Trust in October 2020. There is also an allocation to defined contribution investments in respect of voluntary contributions for a small number of members.
3. The board of the CF's trustee consists of the same individuals as the board of the Trustee. The Trustee and the CF's trustee have different responsibilities. However, for convenience:
 - this statement of principles applies to the Trustee in respect of the Scheme and to the CF's trustee in respect of the CF, as appropriate; and
 - unless the context otherwise requires, references to the "Trustee" in this statement of investment principles refer to the Trustee in respect of the Scheme and to the CF's trustee in respect of the CF, as appropriate.
4. In preparing this document, the Trustee has consulted the person duly appointed by the Employer and participating employers ("the Company") as their representative for this purpose. The ultimate power and responsibility for deciding the investment policy, however, lies solely with the Trustee.
5. The Trustee has obtained and considered the written advice of a person who is reasonably believed by the Trustee to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of trust based occupational pension schemes. This document will be reviewed at least every three years or immediately after any significant change in investment policy.
6. Under Section 36(3) of the Pensions Act 1995 (as amended), before investing in any manner, trustees must obtain and consider proper advice on the question whether the investment is satisfactory having regard to the requirements of regulations under Subsection 36(1), so far as relating to the suitability of investments, and to the principles contained in the statement under Section 35. It is generally accepted that this includes "managed", "balanced" or "pooled" funds where trustees have selected a single fund and where the manager has no discretion to invest in other vehicles. The Trustee has obtained and considered this advice where required. The Trustee will review whether the investment in the CF continues to be satisfactory from a Section 36 perspective on an annual basis.

7. The Trustee intends to comply with any applicable legislation regarding investment of the assets. The Trustee also intends to comply with any legislation regarding scheme funding and will consult the Scheme Actuary and liaise with the Company on matters requiring employer agreement or consultation.
8. Given that the CF is a vehicle for investing the Scheme's assets, its trustee will comply with the requirements set out in the Pensions Act 1995 (as amended) (the "1995 Act") and the Occupational Pension Schemes (Investment) Regulations 2005 (as amended) (the "2005 Regulations") when investing the assets of the CF.

Investment governance

9. The Trustee sets the overall Investment Objectives and then monitors the performance of the investment strategy against those objectives. The Trustee takes formal investment advice from suitably qualified investment advisers when both setting the investment strategy and selecting investments. In implementing the investment strategy, the Trustee will set a specific investment strategy to achieve the required return which is necessary to meet the recovery plan agreed between the Trustee and the Company at the most recent actuarial valuation.
10. The Trustee has chosen to delegate the day-to-day management of the Scheme's assets to several fund managers. The terms of each fund manager's appointment are contained in the Investment Management Agreement between the fund manager and the Trustee or in the governing documentation of the relevant pooled vehicle. The Trustee will take appropriate investment advice in respect of the research, selection and monitoring of fund managers. The Trustee will also take appropriate legal advice for all fund manager appointments.
11. Before formally appointing a manager, the Trustee will ensure that any minimum requirements in the Trustee's Investment Approval Process (as amended from time to time) are adhered to.
12. The Trustee will keep this Statement under review and obtain formal written investment advice that the arrangements satisfy the legislative requirements for diversification and other requirements in s34 & 36 of the 1995 Act and the 2005 Regulations.
13. The strategic asset allocation structure, including benchmarks and constraints of the CF will be subject to a formal review process on a regular basis. This will include a review in conjunction with the Scheme's funding position on a 3-yearly basis.
14. The Trustee can invest in bulk annuity policies with reputable insurers to match the underlying liabilities of the insured members. The Trustee has also entered into longevity swaps to hedge a proportion of the pensioner liabilities. These bulk annuity policies and longevity swaps will be held as investments of the Scheme. For the Scheme's other assets (excluding the bulk annuity policies and longevity swaps) the Trustee has decided to achieve its Investment Objectives by participating in the CF.

Investment Objectives

15. The principal duty of the Trustee is to act in the best interests of the beneficiaries of the Scheme.
16. In light of this duty, the Trustee's objectives, are:
 - to maintain a diversified portfolio of assets of appropriate suitability, quality, security, liquidity and profitability which will generate income and capital growth to meet, together with new contributions from members and the Company, the cost of current and future benefits which the Scheme provides, as set out in the Rules of the Scheme;

- to limit the risk of the assets failing to meet each Section's liabilities;
 - to invest in a manner appropriate to the nature and duration of the expected future retirement benefit payments under the Section;
 - to achieve the required return for each Section necessary to meet the recovery plans agreed between the Trustee and Company at the most recent actuarial valuation;
 - to minimise the long-term costs of the Scheme by maximising the return on the assets, net of fees and expenses, whilst having regard to the objectives shown above; and
 - to seek to control the long-term costs of the Scheme by achieving value for money in the fees paid to fund managers and advisers, and by minimising transaction costs within practical constraints.
17. In addition, the Pensions Act 2004 (as amended) requires that the Trustee maintains a Statement of Funding Principles, stating the methods and assumptions used in calculating the amount required to make provision for the Scheme's liabilities, and the manner and period in which any shortfall will be remedied. The Trustee will consult with the Scheme Actuary and the Company when deciding upon the appropriate response to any shortfall.

Kinds of investments to be held

18. The Scheme can invest in a wider range of asset classes including but not limited to:
- Listed equities;
 - Credit (including investment-grade credit and other credit);
 - Cashflow-driven investments;
 - Multi-asset;
 - Real estate (including core, long lease and other property);
 - Private equity;
 - Infrastructure;
 - Liability hedging assets; and
 - Cash
19. In line with the 1995 Act, borrowing, with the exception of borrowing to provide short term liquidity, is prohibited.
20. Any direct investments in derivative instruments are only made to contribute either to the reduction in the overall level of risk in the portfolio or for the purposes of efficient portfolio management. Derivative investments will be carried out in line with the requirements and restrictions set by the Trustee from time to time. Stock lending of directly held assets will not be allowed without the specific written permission of the Trustee.
21. The Trustee will comply with the legislative requirements in relation to employer-related investments.
22. The Trustee accepts that fund managers outside of the European Union may use soft commissions. Fund managers may not use soft commissions in their management of the Scheme's assets without prior approval from the Trustee.

Asset allocation

23. The Trustee invests in assets that are expected to achieve the Investment Objectives. The strategic asset allocation is seen as an important aspect of the work of the Trustee and details of the allocation ranges between different asset classes will be determined by the Trustee from time to time.
24. When deciding upon the long-term strategic asset allocation, the Trustee will be mindful of the need for the Scheme to hold sufficient investments in liquid or readily realisable assets to meet cash flow requirements in the majority of foreseeable circumstances so that the realisation of assets will not disrupt the Scheme's overall investment policy, where possible.
25. The Trustee's investment policy is to seek to achieve the objectives through investing in a suitably diversified mixture of real (e.g. equity) and monetary (e.g. fixed interest) assets. The Trustee recognises that the returns on real assets, while expected to be greater over the long-term than those on monetary assets, are likely to be more volatile. A mixture across asset classes should nevertheless provide the level of returns required by the Scheme to meet its liabilities at an acceptable level of risk for the Trustee and an acceptable level of cost to the Company.
26. With the exception of annuities and longevity swaps, the Scheme must invest in assets that consist predominantly of investments admitted to trading on regulated markets. Investment in assets which are not admitted to trading on such markets must be kept at a prudent level.
27. The Scheme must be properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings and to avoid accumulations of risk in the portfolio. Investment in assets issued by the same issuer or by issuers belonging to the same group must not expose the Scheme to excessive risk concentration.
28. The Trustee evaluates the merits of active and passive management in the portfolio and may select different approaches in different asset classes. The Trustee, with the support of its investment advisers, will evaluate fund managers' risk controls and performance targets in the context of achieving the overall Investment Objectives.
29. The Trustee has imposed the following additional investment restrictions on fund managers that manage the Scheme's assets on a segregated basis:
 - 29.1 No investments can be made in Banco Santander or its affiliated entities' equity or debt unless such investments are made indirectly through pooled funds.
 - 29.2 This restriction does not affect the operation of any derivative management policy maintained by the Trustee from time to time.

Risks

30. The Trustee recognises, and monitors, the following risks when setting and monitoring the investment strategy:

Not achieving the target returns – this is addressed through:

- Diversification of the return-seeking assets
- Monitoring risk – such as Value-at-Risk and loss in downside scenarios
- Regularly reviewing the investment strategy set for the Scheme, alongside the funding level

The Trustee considers risk reporting each quarter in respect of estimated total investment risk being taken within the Scheme relative to the liabilities.

Interest rate risk The Trustee has agreed liability benchmarks that reflect the sensitivities of each section's liabilities to interest rate risk. The Trustee invests a portion of each section's assets in instruments that are designed to match an agreed portion of these sensitivities.

Inflation risk The Trustee has agreed liability benchmarks that reflect the sensitivities of each section's liabilities to inflation risk. The Trustee invests a portion of each section's assets in instruments that are designed to match an agreed portion of these sensitivities.

Market risk The Trustee ensures that the Scheme's assets are spread across a range of different investments. Risks are only taken where they are expected to be rewarded, through appropriate investment returns or portfolio diversification. The Trustee regularly monitors the Scheme's exposures to different market risk factors.

Manager risk The Trustee monitors each of the Scheme's managers' performance on a regular basis. The Trustee has a written agreement with each manager, which contains a number of restrictions on how each manager may operate. The monitoring of manager performance may be delegated.

Liquidity risk The Trustee invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cash flow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.

Operational risk The Trustee conducts thorough due diligence on all third-party service providers to ensure that processes, procedures and systems are robust, documented and operated by appropriately qualified individuals.

Legal risk The Trustee ensures that all advisers and third-party service providers that it appoints are suitably qualified and experienced. The Trustee ensures that a formal legal review is conducted before appointing third-party service providers. Suitable liability and compensation clauses are included in all contracts for professional services.

Corporate governance risk It is measured and managed by regular reviews of concentration and regular discussions with the investment managers regarding corporate governance risk.

Political risk It is reduced by diversification of the assets across many countries and is managed by the regular assessment of the levels of diversification within the existing policy whilst acknowledging that the greatest exposure is to the UK political environment.

Custodian risk It is addressed through the agreements with the custodian and ongoing monitoring of the custodial agreements. Restrictions are applied to those persons able to authorise transfer of cash and the accounts to which transfers can be made.

Security risk It is addressed by having the custodian hold all assets on behalf of the Scheme, including collective investments. Monitoring of the custodian is outlined above.

Counterparty risk The Trustee controls counterparty risk by limiting the credit rating of counterparties it will transact with and the maximum allowable exposure to any single counterparty. The Trustee regularly monitors the Scheme's exposure to each counterparty.

Currency risk The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. The Scheme may manage its currency exposure by hedging currency risk.

Longevity risk It is addressed by the Trustee purchasing bulk annuity policies which protects the Scheme against the risk that the insured members live, on average, longer than expected. The Trustee has also entered into longevity swaps covering a proportion of the pensioner liabilities, which protects the Scheme against the risk that these members live longer than expected.

Sponsor Investment Risk The Trustee does not invest in Banco Santander or its affiliated entities' equity or debt unless such investments are made indirectly through pooled funds.

Employer support risk The risk that the Company may withdraw or substantially weaken its covenant with the Trustee to support the Scheme – addressed by: the Trustee's Covenant Advisors, regular dialogue between the Trustee and the Company and receipt by the Trustee of twice yearly presentations from the Company on its results.

Collateral adequacy risk The Trustee invests in leveraged LDI arrangements to provide hedging protection against adverse changes in interest rates and inflation expectations. From time to time, depending on market movements, additional cash may need to be invested in the LDI portfolio in order to support a given level of leverage. Collateral adequacy risk is the risk that the cash required to maintain the hedging protection is not available for use within the LDI portfolio within the required timeframe. A possible consequence of this risk materialising is that the Scheme's liability hedging could be reduced, potentially leading to a worsening of the Scheme's funding level.

To mitigate this risk, the Trustee has a plan in place, which sets out clearly the assets directly available to support the Scheme's LDI arrangements and the approach that is expected to be taken with regards to selling down any other assets to support the LDI arrangements. The Trustee periodically monitors the impact of movement in interest rates and inflation expectations and how that compares to the change that can be supported by the assets invested in the LDI arrangements and those directly supporting those arrangements.

Valuation risk For some of the Scheme's assets, prices may only be estimated relatively infrequently using one or more of a range of methods – e.g. recent sales prices achieved for equivalents. Further details on the procedures and controls for valuing the Scheme's investments are set out in the Santander UK Common Investment Fund Valuation Policy.

At times of market stress, there is a risk for all assets that the valuations provided by investment managers do not reflect the actual sale proceeds which could be achieved if the assets were liquidated at short notice. This risk is particularly relevant for assets such as private equity and property.

The Trustee considers exposure to valuation risk in the context of the Scheme's overall investment strategy and believes that the level of exposure to this risk is appropriate.

Climate-related risks Climate change is a source of risk, which could be financially material over both the short and longer term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change (eg extreme weather). The Trustee seeks to appoint investment managers who will manage this risk appropriately, and monitors how this risk is being managed in practice. The Trustee encourages its managers (where practical) to set credible net zero targets for the strategies in which the Scheme invests and to align its investments with net zero greenhouse gas emissions by 2050 to help drive real world emissions reduction and reduce systemic risks relating to climate change. The Trustee monitors and engages with its managers on their progress towards net zero alignment.

Deferred payment credit risk With respect to deferred payment agreements, the Trustee addresses credit risk by taking advice on the structuring of credit terms, conducts counterparty due diligence, and monitors creditworthiness.

Investment managers and bulk annuity providers

31. The Trustee's policy is to delegate day-to-day management of the Scheme's assets to fund managers.

The Trustee has entered into bulk annuity policies with Aviva plc and Legal & General Assurance Society Ltd, which provide payments to match the pensions payable to the underlying liabilities insured by the policies.

The Trustee has entered into longevity swaps with Zurich Assurance Ltd, which will match the pensions payable to the underlying liabilities covered by the longevity swap agreements.

Additional Voluntary Contribution Funds (AVCs)

32. A small number of members continue to have their funds invested in a Phoenix Life or ReAssure AVC policy.
33. The Trustee has regard to the historical rates of return earned on the various classes of asset available for investment and their corresponding volatilities in assessing the choices offered to members.
34. The members' accounts are held in funds which are sufficiently liquid to be realised to provide pension benefits on retirement, death or earlier transfer to another pension arrangement.
35. The Trustee has taken advice from the Scheme's Investment Consultant to ensure that the funds are appropriate for the Scheme.

Financially material considerations, including environmental, social and corporate governance ("ESG") considerations and responsible ownership – general

36. The Trustee has a long-term investment horizon. It believes that an appropriate assessment of factors such as sustainable growth, environmental and climate change impacts, as well as other social and governance considerations, will help to better achieve the objectives set and improve outcomes for members and beneficiaries through enhanced long-term returns and management of arising risks in respect of the Scheme's assets.
37. The Trustee also believes that investors who are responsible owners, and who engage, support better outcomes for the companies they invest in and ultimately enhance their investments by using their rights as shareholders influencing more sustainable corporate strategies, performance, risk management, capital structure, tax transparency and corporate governance, including culture, diversity and remuneration, potential conflicts of interest and social and environmental impact. Engagement is purposeful dialogue with companies on these matters as well as on issues that are the immediate subject of votes at general meetings. The Trustee will also monitor its supply chain for modern slavery and human trafficking risk.
38. To give effect to the Trustee's policy on financially material considerations and responsible ownership:
 - Where an investment manager or fund is being considered for appointment or investment, the Trustee will have regard to that manager or fund's policies on financially material considerations, so far as relevant to its mandate, when deciding whether they should be selected. The Trustee will also monitor how investment managers and funds take account of financially material considerations as part of their investment process, so far as relevant to their mandate.

- The Trustee expects its rights as an investor to be exercised by the investment managers appointed by it or by the funds in which it invests. These managers are better positioned to drive engagement initiatives, directly interacting with the companies in their portfolios and exercising voting rights and acting alongside other investors, investment managers and stakeholders where appropriate. The Trustee requires investment managers to report on their stewardship policies, proxy voting and engagement initiatives as part of their initial assessment and on-going monitoring, so far as relevant for their mandate.

Details of the Scheme's environmental, social and corporate governance priorities can be found within its Responsible Investment policy. The policy can be found on the Scheme's website:

https://mysantanderpension.co.uk/about/responsible_investment/index.html

Non-financial matters

39. In setting investment strategy the Trustee acts in the best financial interests of the Scheme's beneficiaries as a whole. Given this primary fiduciary duty as well as the significant practical and cost implications, the Trustee does not explicitly take into account the views of individual beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters. The Trustee will keep good practice in this area under review.

Arrangements with fund managers and pooled funds

40. The Trustee will normally ensure that, where a segregated account is used, the arrangement with the fund manager is negotiated by the Scheme's Investment Consultant on a case by case basis and will be bespoke to the strategy and asset class of the investment. Before an investment is made in a pooled fund, the objectives of the pooled fund should be reviewed by the Scheme's Investment Consultant to assess their consistency with the Trustee's overall Investment Objectives.
41. Arrangements can include certain restrictions on geographies, sectors, credit ratings or individual security limits amongst other restrictions, which align the Trustee's investment beliefs and risk appetite with the fund manager or pooled fund. It is expected that these restrictions are reviewed and reported on by the Trustee's Investment Consultant.
42. Formal engagements will be performed regularly and throughout the investment lifecycle, with poor performance or breaches of restrictions potentially leading to termination of the arrangement or disinvestment.
43. Arrangements may include performance related remuneration, payable for financial performance above an agreed threshold, over a specified period. This may include "high water marks" to help to ensure that sustained favourable performance is rewarded rather than short term success.
44. The fund manager will be incentivised by a combination of remuneration and the commercial benefit of maintaining an ongoing relationship. The Trustee may choose to terminate arrangements where there is no clear alignment of strategy or investment beliefs.
45. As part of the initial due diligence, it is expected that the Scheme's Investment Consultant will consider the general management style and ESG credentials of asset managers and pooled funds, where relevant to their mandates. This should include their engagement with underlying issuers of debt or equity, as well as portfolio turnover, where relevant.
46. It is expected that this activity will be repeated regularly and will be reported back to the Trustee, together with assessments on the ESG momentum of the fund manager or pooled fund.

47. Where appropriate, Investment Objectives may include a reference to returns over financial periods which are consistent with a medium to long-term investment approach.
48. The financial performance of fund managers and pooled funds is independently calculated (net of fees) by a third party and is reported on a quarterly basis. Part of this reporting includes long-term performance against both specified targets and benchmarks.
49. Turnover costs should be monitored by the Trustee and the Scheme's Investment Consultant and form part of the ongoing due-diligence process. Targeted portfolio turnover range is also reviewed by the Scheme's Investment Consultant.
50. The duration of arrangements with fund managers and pooled funds will be dependent on the specific strategy of the relevant manager and how that strategy fits with the Scheme's own strategy. Generally, it is expected that the Trustee will look to build and protect long term value and capital growth through medium to long term relationships.

Monitoring and review

51. The Trustee will review the implementation of the investment strategy to ensure that the Investment Objectives are being achieved with an acceptable level of risk.
52. The Trustee will regularly monitor the investment performance and process, including the investment managers' compliance with legislative requirements where appropriate. The Trustee will review the continuation/termination of the investment managers' contracts at least every three years.
53. Key information from this Statement will be sent annually to members. Members can request a copy of this Statement, which will also be made available online.
54. The Trustee will annually monitor whether participation in the CF continues to be appropriate for the Scheme.

Agreement

55. This statement was agreed by the Trustee and replaces all previous statements. Any subsequent amendments will be made available to the fund managers, the Scheme Actuary and the Scheme auditor upon request.

Signed *Frank Oldham*

Date 9th July 2026

On behalf of Santander (UK) Group Pension Scheme Trustees Limited