BOC Senior Executive Pension Scheme
(To be renamed the BOC Retirement Benefits Scheme)

The Statement of Investment Principles for the BOC Pension Scheme, adopted on 17 September 2020 (attached to this note) is adopted by BOC SEPS Trustees Limited (to be renamed BOC Retirement Benefits Scheme Trustees Limited) as the Statement of Investment Principles for the new segregated BOC Section of the BOC Senior Executive Pension Scheme, to which the assets and liabilities of the BOC Pension Scheme are to be transferred.

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30 June 2023

Date

BOC PENSION SCHEME

Statement of Investment Principles

Introduction

This Statement sets out the principles adopted by BOC Pension Scheme Trustees Limited ("the Trustee"), the Trustee of the BOC Pension Scheme ("the Scheme"), for governing the management of the Scheme's assets. It was adopted by the Trustee on 17th September 2020 following consultation with The BOC Group Limited in its capacity as Principal Employer and with the Linde Group as representative of the Scheme's employers, and after receiving the advice of the Scheme's investment advisers. It also includes the principles adopted by the Joint Investment Committee (see below) whether acting in its capacity as Investment Committee of the Scheme or as Administrator of the BOC Pension Investment Fund ("BOCPIF"). It takes into account the requirements of the Pensions Act 1995 and the Occupational Pension Scheme (Investment) Regulations 2005. The Statement is subject to review by the Trustee at least every three years and more frequently, as appropriate.

In agreeing these principles, and in reviewing them to ensure they remain appropriate, the Trustee takes into account a number of factors, including the relative maturity of the Scheme, the level of funding reported in the latest actuarial valuation and an assessment of the strength of the Company's covenant.

Primary Objective

The Trustee's primary objective is to ensure that the Scheme's assets are sufficient to meet its liabilities to provide beneficiaries with benefits as specified in the Scheme's Trust Deed and Rules.

Investment Objective

The investment objective is to achieve the primary objective set out above, by targeting an annual investment return in excess of the liability discount rate assumed in the actuarial valuation without taking undue risk.

The target investment return for the time being is gilt yields plus 2.2% per annum. It is expected that this target is reduced in the future depending on the funding level and market conditions.

The Trustee will aim to reduce risk to as a low a level as possible consistent with this return objective. The main concepts followed to achieve this are diversification of asset classes and asset liability matching.

Joint Investment Committee

The Trustee has delegated most of its investment responsibilities to the JIC. The tasks delegated by the Trustee to the JIC are defined in the document "JIC Roles & Responsibilities" dated May 2014. The Trustee is responsible for setting, amending and updating this statement of investment principles and in particular setting the investment objective. The JIC is responsible for managing the investment strategy consistent with the objective and implementing it.

The JIC is a company called BOC Pensions Limited, which is jointly owned by the Trustee and by BOC SEPS Trustees Limited. Directors of the JIC must be directors of the Trustee or BOC SEPS Trustees Limited. The JIC also serves as the Administrator of BOCPIF (see below).

The JIC is supported in the day-to-day operation of the Scheme's assets by the Pensions Investment Manager (PIM).

BOC Pension Investment Fund

The Trustee invests its assets in a common investment fund, BOC Pension Investment Fund ("BOCPIF"), which is administered by the JIC. BOCPIF comprises both commingled assets and Scheme specific portfolios. The JIC is responsible for ensuring that the assets of each participating scheme, both commingled and held directly within BOCPIF, are managed in a manner consistent with the investment strategy of that scheme. Neither the Trustee nor the JIC may make day-to-day investment decisions.

Investment Strategy

In managing the investment strategy and implementing it, the JIC ensures that it complies at all times with the investment objective, the terms of the Trust Deed and relevant legislation. The JIC is responsible for deciding into which asset class to invest and the allocation assigned to each asset class. The JIC considers asset classes with regard to their risk, return and liquidity characteristics and evaluates whether they are appropriate to back the schemes liabilities. The JIC is guided by the principles of diversification and asset-liability matching. In deciding investment strategy advice is sought from the Scheme's investment adviser.

Appendix 1 shows the current target asset class weights and longer-term ranges.

Review of Investment Objective and Investment Strategy

The Investment Objective and Investment Strategy are kept under review, as part of a regular monitoring process, to ensure they remain valid and appropriate. The Trustee carries out a formal review of the investment objective at least every three years. The JIC carries out a formal review of the investment strategy following any change in investment objective by the Trustee or otherwise at least every three years. The Trustee and the JIC obtain expert investment advice and consult with the Company as part of the formal review process. The investment strategy is regularly monitored by the JIC.

Management of Risks

There are various risks to which the Scheme is exposed. The main risks managed by the Trustee and JIC in this respect are as follows:

- Mismatch risk - The primary risk is that arising through a mismatch between the Scheme's assets and liabilities, particularly in relation to the impact of changes in long term interest rates and inflation. The Trustee has set a target range for hedging the interest rate and inflation risks of the liabilities through a Liability Driven Investment ("LDI") portfolio.

- Basis risk - This risk arises where the Scheme's liabilities cannot be perfectly matched. This risk is managed by defining a portfolio of assets that most closely matches the expected liability cash flows. The LDI portfolio then seeks to broadly match the performance of these assets.

- Strategic Investment risk - This risk arises when the selected long-term investment strategy fails to deliver the level of expected return or risk characteristics necessary to meet the Scheme's objectives. This risk is managed by setting appropriate long and short-term risk measures and limits. These are monitored regularly and the appropriate action taken if the risk levels are inconsistent with these limits.

- Longevity risk – This is the risk that pensioners live longer than expected and this leads to greater than expected benefit payments being made. The Scheme's mortality experience and mortality trends are monitored, and the likely outlook for future experience is also considered. Sensitivity testing on the mortality assumptions will be carried out to determine the impact of changes in the assumptions.

- Market risk – the fluctuation of asset prices according to supply and demand. This is managed by ensuring asset classes are diversified, returns are uncorrelated and strategies are available to protect against significant market falls.

- Liquidity risk – the risk that assets cannot be realised in liquid markets, when cash is needed. This is managed by investing the majority of assets only in liquid markets and reviewing their liquidity regularly. This also includes managing roll-over risk of repo transactions.

- Credit risk – This is the risk of default by issuers of financial assets and the risk that the value of these assets may depreciate as a result of an increase in the overall level of perceived credit risk in the market. This risk exposure is controlled by imposing limits on the amount and type of credit assets that can be held, and ensuring that portfolios are sufficiently diversified.

- Counterparty risk - This risk arises when the Scheme enters into financial contracts with a third party which then fails, probably due to default, to fulfil its obligations. This risk is controlled by setting an appropriately high minimum credit rating of counterparties it will transact with and limiting the exposure to any single counterparty. Collateral is required from counterparties to financial contracts to mitigate the loss in the event they fail to fulfil their obligations under the contracts.

- Manager risk – the risk that asset managers employed by the JIC underperform their benchmark or otherwise fail to achieve the investment objective assigned to them. The JIC manages this risk by a number of measures:
    - Perform formal and competitive asset manager selections processes.
    - Agree formal investment guidelines with asset managers which include benchmarks, objectives and limits on relevant risk exposures.
    - Monitor asset manager performance regularly and perform comprehensive reviews of manager's capabilities.
    - If a manager does not perform to benchmark standard the manager may be removed or replaced.

- Exchange rate risk - This risk arises from losses that result from unhedged overseas investments. Currency risk is mitigated through the use of a dedicated hedging programme.

- Sponsor Covenant risk - the financial capacity and willingness of the sponsoring employer to support the Scheme is a key consideration and is reviewed on a regular basis.

The JIC also obtains expert independent investment advice on a regular basis to manage these risks.

Asset Allocation Decisions & Rebalancing

The JIC believes that in most market environments long-term value creation is best achieved with rebalancing to bring actual asset allocations – which drift with market movements – back to their strategic weights from time to time. However, the JIC recognizes that in some market environments characterized by strong trending or exaggerations, strict rebalancing can lead to inferior results. As a consequence, the JIC can exercise discretion within the minimum and maximum ranges specified in the investment strategy. During extreme market conditions or during an extended transition asset allocations may be kept outside those ranges.

Types of Investment

The Scheme may invest in a wide range of asset classes deemed appropriate to meet the Scheme's liabilities, including global equities, EM debt (local currency, hard currency and corporate), listed credit (including investment grade and high yield corporate bonds, asset-backed and mortgage-backed securities), indirect property, private debt (including real estate loans, private corporate loans, syndicated corporate loans), derivative overlay mandates, hedge funds, natural catastrophe reinsurance and cash.

The Trustee considers some types of investment are unsuitable for the Scheme and does not permit them. These include any direct investment in property, physical commodities, and works of art. Any direct form of employer-related investment is also prohibited. Indirect exposure through investment in pooled funds will be tolerated.

The use of derivatives is allowed in some mandates, subject to investment guidelines. Before permitting their use, the JIC seeks to understand the circumstance in which they will be used, the degree to which they will be used and, in particular, the extent of any resulting leverage. In segregated accounts with their own guidelines the JIC will limit the allowance of derivatives to appropriate levels advised on by the investment adviser. The use of derivatives is permitted for the efficient management of market risks (e.g. swaps, equity index options, swaptions) or for the efficient management of strategic exposures (e.g. equity futures, Itraxx CDS). Derivatives will not be used for market speculation.

Employment of Investment Managers

The JIC is responsible for the selection, appointment, monitoring and replacement of investment managers.

The JIC appoints external investment managers to manage the assets of the Scheme; all managers are authorised under the Financial Services and Markets Act 2000 (or are authorised under an appropriate equivalent body in an overseas territory) to undertake investment business. The appointment and retention of investment managers is based on a list of criteria designed to select managers who, in the opinion of the JIC, are most likely to achieve the investment objective they have each been set, while at the same time ensuring that the Scheme is not exposed to undue risk. The JIC enters into a signed investment management agreement with each manager, setting out in detail the terms on which each portfolio is managed. Each agreement includes a detailed set of investment guidelines with which the investment manager has to comply. To the extent that the manager proposes investing in pooled funds, the JIC will ensure that the objectives and risk controls followed by these funds are consistent with those which the JIC would impose on the manager for a separately managed mandate.

In general, the JIC believes in the benefit of active management. Before appointing a manager to an active mandate, the JIC needs to be satisfied that there is a reasonable probability that the manager will add value, net of fees, relative to the appropriate benchmark index. An appointment will be reviewed following periods of sustained underperformance. Some managers are incentivised through remuneration via performance related fees and performance targets. Where the JIC is not satisfied that an active manager is likely to add value, the JIC believes that it is appropriate to employ a manager on the basis of a passive, index-tracking approach. Where the percentage allocated to active management within an assets class is sufficiently large, the JIC believes it is prudent to reduce the risk of underperforming the benchmark index by dividing the assets between two or more managers. Each investment manager is measured against a specific benchmark. The investment management structure is designed to ensure that the expected aggregate benchmark return, measured over the long term, should be sufficient to meet the target return of the investment objective. Where a manager is employed for an active mandate, an active return target in excess of the benchmark is agreed in conjunction with the investment adviser (see appendix 3). As a matter of policy, the target should be achievable without exposing the Scheme to excessive risk.

The Trustee requires the JIC to obtain written confirmation annually from the investment managers that the assets they manage for the Scheme are appropriately diversified and suitable, and that the managers have exercised their delegated powers of investment in a fiduciary manner. Investment Managers submit an annual report that is reviewed by the FIM and the Trustee Governance Committee.

Monitoring and Reviewing Investment Managers

With the aid of the investment adviser the JIC will regularly monitor performance of asset managers and regularly review their investment styles, processes and resources.
Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for.

If the investment objective for a particular manager's fund changes, the JIC will review the fund appointment to ensure it remains appropriate and consistent with the wider investment objectives.

For segregated appointments the JIC has specified criteria in the investment manager agreements for the asset manager to be in line with the Trustee's specific investment requirements. In relation to holdings in pooled investment vehicles, the Trustee accepts that it has no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

Investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the JIC are dissatisfied, then they will look to replace the manager.

On a quarterly basis the PIM collects asset valuations from the managers and provides a performance summary on total portfolio, asset class and single manager level. The asset managers themselves are expected to provide an investment report on a quarterly basis, to include a detailed portfolio analysis, performance comparisons, commentary and such other information as the manager deems appropriate for appraising and evaluating the portfolio. For the equity managers the PIM will produce an annual report summarising each manager's calendar year broker commission levels for the JIC to review.

The LDI manager is required to report at least quarterly on all relevant exposures, including basis point values, swap notionals, size and maturity of repo transactions, total exposure to Gilts and other instruments used for LDI investment.

The JIC's focus is on long term performance but a manager may still be put 'on watch' if there are short term performance concerns. If a manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the JIC may ask the manager to review their fees – either the Annual Management Charge or the performance related fee element (if applicable).

On a regular basis the PIM will undertake review meetings with the active asset managers to evaluate them with respect to qualitative criteria such as investment process and team stability as well as quantitative results against the defined objectives (see appendix 3). All major issues with any manager or asset class will be brought to the immediate attention of the JIC which then reviews the situation.

The investment adviser will provide regular research reports on the active managers, based on a forward looking view of the manager's capabilities in the asset class in question. Asset classes will be covered on a rolling base, such that each manager is covered at least once every two years.

The JIC formally decides about retention or dismissal of the asset manager. In addition, it takes into account the actual mandate experience, diversification aspects and costs of replacement. The Scheme is a long term investor and is not looking to change the investment arrangements on a frequent basis.

For open-ended funds there is no set duration for the manager appointments. The Trustee will retain an investment manager unless there is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager, or the manager appointment has been reviewed and the Trustee has decided to terminate.

For closed-ended funds, the Scheme is invested for the lifetime of the fund. At the time of appointment, the Trustee receives an indication of the expected investment duration of their funds. In order to maintain a strategic allocation to these asset classes, the Trustee may choose to stay with the manager in a new closed ended fund (if available) for that asset class or appoint a different manager.

Environmental, Social, Governance (ESG) and Ethical Considerations, UK Stewardship Code.

The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustee has taken into account the expected time horizon of the Scheme when considering how to integrate these issues into the investment decision making process.

The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, including undertaking engagement activities, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustee requires that investment managers explain how they take ESG considerations into account and the Trustee itself lays out in a separate report if and how it complies with the UK Stewardship Code. The Trustee also completes a benchmarking analysis on an annual basis to compare how the managers' ESG approaches compare to the broader universe.

The JIC will also consider the investment consultant's assessment of how each investment manager embeds ESG into its investment process. This includes the investment managers' policy on voting and engagement, and their investment decisions. The JIC will use this assessment in decisions around selection, retention and realisation of manager appointments.

Member views are not taken into account in the selection, retention and realisation of investments.

Exercise of Voting Rights

The Trustee believes that exercise of voting rights forms part of the investment process to achieve the best long-term outcome. Therefore this activity is delegated to investment managers. Managers are required to keep records of exercised votes and report to the JIC on request. Equity managers will provide their calendar year data on voting which the Pensions Investment Manager will report annually to the JIC.

Custody

All custodial responsibilities for the Scheme's assets rest with a master custodian. The JIC selects and retains the custodian taking into account the standards of service, quality of process and security required. The JIC reviews the custodian with respect to these criteria as part of its governance monitoring and takes into account the views of the investment adviser.

Records

The Trustee requires the JIC, as Administrator of BOCPIF, to ensure that investment accounting records are kept and are reconciled with the records of the custodian and investment managers. The JIC is also required to apportion the growth (or diminution) in the commingled assets between the participating schemes using the apportionment formula. The JIC must ensure that the apportionment formula, which is used to apportion the growth or diminution in value of the commingled assets in BOCPIF, is equitable and is being applied correctly These tasks are delegated to BOC Pension Services, Scheme Accounting.

Approved by

Trustee Director

Trustee Director

Appendix 1 of Statement of Investment Principles

Scheme Investment Strategy

Asset Class	Strategic Weight	Minimum	Maximum
LDI & Cash Portfolio	**22%**	15%	35%
Private Debt	**30%**	20%	35%
Global Equity	**25%**	15%	30%
EM Debt & Listed Credit	**8%**	0%	15%
Liquid Alternatives & NatCat	**15%**	10%	20%

Appendix 2 of Statement of Investment Principles

Scheme Target Hedging Levels

Foreign Currency Hedging:
Private Debt and Listed Credit – Developed Markets (e.g. USD, EUR): 100%
EM Debt: Local Currency: 0%, USD: 80%
Equities – Developed Markets: As determined by the JIC from time to time
Equities – Emerging Markets: 0%
Liquid Alternatives and Nat Cat Re-Insurance-: 100%
Other asset classes: As determined by the JIC case by case.

Equity Risk Management and Tail Risk Hedging
Equity index futures or option strategies or volatility index futures strategies as determined by JIC from time to time.

Interest Rate and Inflation Risk Hedging
Instruments: Physical bonds, swaps, swaptions and Gilt repos
Inflation hedging range: 80-95%
Interest rate hedging range: 50-65%
Inflation and Interest Rate hedging is measured on a Gilts + 0.5% basis only taking direct exposures in the LDI portfolio and Listed credit (if any) into account, but not indirect hedging e.g. from private debt or equities or minor duration exposures from EM debt.

It is expected that the interest rate hedging range is shifted higher as the funding level improves.

Appendix 3 of Statement of Investment Principles

Scheme Mandate Structure and Manager Objectives

Asset Class	Manager	Benchmark (Net of Fees)	Other Objectives
LDI	Insight	n/a	Hedge IR & Inflation Risk
Corporate Bonds (IG & HY)	Neuberger Berman	3 month £ Libor + 1%	Inception is subject to market opportunity
EM Debt	Pramerica	50% JPM EMBI 50% JPM GBI-EM	
	Schroder		
Corporate Loans Syndicated	Invesco	3 month £ Libor + 3%	
Corporate Loans Private	Babson	3 month £ Libor + 3%.	
	EQT		
CRE Loans	Aviva	3 month £ Libor + 2%	
	Insight		
	Ares		
Global Equity	Baillie Gifford	MSCI All Country World	
	Wellington		
	Vontobel		
	Alliance Bernstein		
Property	CBRE	n/a	In liquidation
Liquid Alternatives	Pharo	3 month £ Libor + 3%	
	Lynx		
	Wadhwani		
	Highbridge		
	AHL		
	Arrowstreet		
	Marshall Wace		
Nat Cat Re-Insurance	Elementum	3 month £ Libor + 2%	
	LGT		