BOC RETIREMENT BENEFITS SCHEME

Statement of Investment Principles – September 2024

1. Introduction

This Statement sets out the principles adopted by BOC Retirement Benefits Scheme Trustees Limited ("the Trustee"), the Trustee of the BOC Retirement Benefits Scheme ("the Scheme"), for governing the management of the Scheme's assets. The Scheme's assets are divided into two sections: the BOC Section and the SEPS Section. This division occurred as a result of the merger of the BOC Pension Scheme with the BOC Retirement Benefits Scheme (formerly the BOC Senior Executive Pension Scheme) on 30 June 2023. The two Sections are segregated from each other such that all assets, liabilities and members are held independently of one another, with no cross subsidy.

The Trustee of the Scheme has delegated most of its investment responsibilities to the Joint Investment Committee ("the JIC"). The tasks delegated by the Trustee to the JIC are defined in the document "JIC Roles & Responsibilities". With effect from 27 March 2024, the Trustee appointed Mercer as the delegated investment manager for its assets. Mercer also acts as the Trustee's investment consultant.

This Statement was adopted by the Trustee 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 consulting a suitably qualified person by obtaining written advice from Mercer. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

The Statement takes into account the requirements of the Pensions Act 1995 and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Statement is subject to review by the Trustee at least every three years and more frequently, as appropriate.

2. Primary Objective

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

3. Investment Objective

The Trustee understands that taking some investment risk, with the support of the Principal Employer, is necessary to improve the Scheme's current and ongoing solvency funding positions. The Trustee recognises that equity (and other growth asset) investment will bring increased volatility to the funding level, but in the expectation of improvements in the Scheme's funding level through equity (and other growth asset) outperformance of the liabilities over the long term.

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 returns for the BOC Section and the SEPS Section are gilt yields plus 2.2% per annum and gilt yields plus 1.4% per annum respectively. It is expected that the targets are reduced in the future depending on the funding levels 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.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee determines to be financially material considerations. Non-financial considerations are discussed in section 12.

4. Risk Management and Measurement

There are various risks to which any pension scheme is exposed. The Trustee's policy on risk management is as follows:

- The primary risk upon which the Trustee focuses is that arising through a mismatch between the Scheme's assets and its liabilities and the Principal Employer's ability to support this mismatch risk.
- The Trustee recognises that whilst increasing risk increases potential returns over the long-term, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's accruing liabilities as well as producing more volatility in the Scheme's funding position.
- To control the risk outlined above, the Trustee, having taken advice, has set the strategic asset allocation such that the expected return on the overall portfolio is expected to be sufficient to meet the objectives outlined in section 3.
- The Trustee recognises that even if each Section's assets were fully invested in Liability Driven Investments ("LDI") there may still be a mismatch between the interest-rate and inflation sensitivity of the Section's assets and the Section's liabilities, resulting in some degree of interest rate and inflation risk.
- The LDI mandates for each Section make use of leverage to enable a higher level of hedging to be achieved than otherwise. This approach brings with it additional liquidity risks and requirements which can change over short periods of time with interest rate changes. The Trustee and Mercer regularly review the LDI mandates and their leverage ratios, supported by the Scheme's LDI manager. This review includes consideration of appropriate market stress buffers and collateral management arrangements.
- The Trustee recognises the risks that may arise from the lack of diversification of investments. To control this risk the Trustee has delegated investment decisions within each asset class to Mercer (subject to certain restrictions). Mercer aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. Mercer provides the Trustee with regular monitoring reports regarding the level of diversification within the Trustee's portfolio.
- To help the Trustee ensure the continuing suitability of the current investments, Mercer provides the Trustee with regular reports regarding the performance of the underlying asset managers appointed to enable the monitoring of differences between the expected and experienced levels of risk and return.
- There is a risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustee. The Trustee recognises that the use of active investment managers involves such a risk.
- To help diversify manager-specific risk, the Trustee expects that the Scheme's assets are managed by appropriate underlying asset managers.
- Some of the Scheme's assets are invested in securities that are not traded on regulated markets. In recognition of the associated risks (in particular liquidity and counterparty exposure), such investments would normally only be made with the purpose of reducing the Scheme's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event, the Trustee would ensure that the assets of the Scheme are predominantly invested on regulated markets.

- The Trustee recognises the risks inherent in holding illiquid assets. The Trustee has carefully considered each Section's liquidity requirements and time horizon when setting the investment strategy and liquidity risk is managed by ensuring illiquid asset classes represent an appropriate proportion of the overall investment strategy.
- The Scheme is subject to currency risk because some of the investment vehicles in which the Scheme invests are denominated or priced in a foreign currency. To limit currency risk, a target non-sterling currency exposure is set and the level of non-sterling exposure is managed using currency hedging derivatives such as forwards and swaps.
- The Trustee recognises that environmental, social and corporate governance concerns, including climate change, have a financially material impact on return. Section 12 sets out how these risks are managed.
- Responsibility for the safe custody of the Scheme's assets is delegated to BNY Mellon as custodian of the assets. Mercer has delegated the safe custody of assets held in Mercer funds to State Street Custodial Services (Ireland) Limited.

Should there be a material change in the Scheme's circumstances, the Trustee will inform Mercer, who will recommend whether and to what extent the investment arrangements should be altered.

5. Investment Strategy

The Trustee, with advice from Mercer, considers asset classes with regard to their risk, return and liquidity characteristics and evaluates whether they are appropriate to back the Scheme's liabilities. The Trustee is guided by the principles of diversification and asset-liability matching. In deciding investment strategy advice is sought from the Scheme's investment adviser, Mercer. Appendix 1 shows the current target asset class weights and ranges.

In managing the investment strategy and implementing it, Mercer ensures that it complies at all times with the investment objectives outlined by the Trustee in Section 3, the terms of the Scheme's Trust Deed and relevant legislation. Mercer is subject to the asset class ranges as set out in Appendix 1, which have been defined by the Trustee. Mercer is responsible for investment decisions within these asset class ranges, including responsibility for appointing Investment Managers.

6. Realisation of Investments

The Trustee, on behalf of the Scheme, holds investments in funds and segregated accounts, and shares in the Mercer Funds. The external managers, and Mercer Global Investments Europe Limited in its capacity as investment manager to the Mercer Funds, have discretion over the timing of the realisation of investments and in considerations relating to the liquidity of those investments, within parameters stipulated in the relevant appointment documentation.

7. 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 Trustee carries out a formal review of the investment strategy following any change in investment objective or otherwise at least every three years. The Trustee obtains expert investment advice from Mercer and consults with the Company as part of the formal review process. The investment strategy is regularly monitored by the Mercer.

8. Asset Allocation Decisions & Rebalancing

The Trustee 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 Trustee recognises that in some market environments characterised by strong trending or exaggerations, strict rebalancing can lead to inferior results. As a consequence, the Trustee 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. Responsibility for monitoring the Scheme's allocations and any rebalancing activity has been delegated to Mercer.

9. 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), private equity, 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 Trustee 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 Trustee will limit the allowance of derivatives to appropriate levels advised on by Mercer. 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.

10. Employment of Investment Managers

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

Mercer appoints 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 Mercer, 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 Scheme 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, Mercer will ensure that the objectives and risk controls followed by these funds are consistent with those which the Mercer would impose on the manager for a separately managed mandate.

A portion of the Scheme's assets may be invested in multi-client collective investment schemes ("Mercer Funds") managed by a management company (Mercer Global Investments Management Limited ("MGIM")). MGIM has appointed Mercer Global Investments Europe Limited ("MGIE")) as investment manager of the Mercer Funds. In practice, MGIE delegates the discretionary investment management for the Mercer Funds to third party investment managers based in countries such as Ireland, UK and USA and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund. Mercer has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Scheme's assets on a day to day basis.

In general, the JIC believes in the benefit of active management. Before appointing a manager to an active mandate, Mercer 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 Mercer is not satisfied that an active manager is likely to add value, Mercer may seek to instead 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, Mercer 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.

11. Monitoring and Reviewing Investment Managers

On 27 March 2024, the Trustee appointed Mercer as the delegated investment manager for the Scheme's assets. Therefore, Mercer is responsible for the selection and ongoing monitoring of Scheme's investment managers. 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 Mercer and the Trustee are dissatisfied, then they may seek to replace the manager. The Trustee reviews the absolute performance and relative performance against a portfolio's and underlying investment manager's benchmark (over the relevant time period). The Trustee's focus is on the medium to long-term financial and non-financial performance of the investments.

When engaging Mercer as discretionary investment manager to implement the Trustee's investment strategy, the Trustee is concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Scheme, in particular, long-term liabilities.

Mercer reports to the Trustee with asset valuations on a monthly basis and provides a more detailed breakdown of the performance of the Scheme's assets as well as at both a single manager and total asset class level on a quarterly basis.

Neither Mercer or MGIE make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by Mercer or MGIE to manage assets. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustee is, however, able to consider Mercer's and MGIE's assessment of how each underlying third party asset manager embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustee's own responsible investment policy. This includes the asset managers' policies on voting and engagement.

The asset managers are incentivised as they will be aware that their continued appointment by Mercer or MGIE will be based on their success in meeting Mercer or MGIE's expectations. If Mercer or MGIE is dissatisfied then it will, where appropriate, seek to replace the manager.

The Trustee monitors, and evaluates, the fees it pays for asset management services on an ongoing basis taking into account the progress made in achieving its objectives as outlined in Section 3. Mercer's, and MGIE's, fees are based on a percentage of the value of the Scheme's assets under management which covers the design and annual review of the de-risking strategy, and investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

12. Environmental, Social, and Corporate Governance (ESG), Stewardship and Climate Change

The Trustee believes that 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.

As noted above, the Trustee has appointed Mercer to act as discretionary investment manager in respect of the Scheme's assets. Asset managers appointed to manage the assets are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Stewardship Code.

The United Nations' Sustainable Development Goals (SDGs) inform Mercer's long term investment beliefs and direct Mercer's and the Trustee's thinking when it comes to converting systemic risks into transformational investment opportunities as outlined in Mercer's Sustainability Policy.

The Trustee considers how ESG, climate change and stewardship is integrated within Mercer's investment processes and those of the underlying asset managers in the monitoring process. Mercer is expected to provide reporting to the Trustee on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities and other asset classes where relevant and data is available and/or climate transition analysis for diversified growth portfolios.

The Trustee has also noted Mercer's commitment to a target of net-zero absolute carbon emissions by 2050 for UK, European and Asian clients with discretionary portfolios and the majority of its multi-client, multi asset funds domiciled in Ireland.

The Trustee recognises the conflict of interest which may arise in the context of responsible investment. Mercer and MGIE make investment decisions with the aim of improving long-term risk adjusted returns and assesses whether selected sub-investment managers have policies and procedures that manage conflicts in relation to stewardship. Sub-investment managers are required to report on any conflicts of interest and demonstrate that they have adhered to their conflicts of interest policies and reported any breaches.

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

The Trustee has not set any investment restrictions in relation to ESG.

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 Mercer on request.

13. Records

The Trustee requires the JIC to ensure that investment accounting records are kept and are reconciled with the records of the custodian and investment managers

For and on behalf of BOC Retirement Benefits Scheme Trustees Limited as The Trustee of the BOC Retirement Benefits Scheme

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Stuart Peet
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Trustee Director

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Trustee Director

Appendix 1 of Statement of Investment Principles

Scheme Investment Strategy

BOC Section

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

SEPS Section

Asset Class	Strategic Weight	Minimum	Maximum
LDI & Cash	**42%**	35%	50%
Investment Grade Credit	**10%**	5%	15%
Global Equities	**15%**	10%	20%
Growth Fixed Income	**21%**	15%	25%
Liquid Alternatives	**12%**	8%	16%

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%
Liquid Alternatives and Nat Cat Re-Insurance-: 100%
Other asset classes: As determined by Mercer

BOC Section

Interest Rate and Inflation Risk Hedging
Interest rate hedging range: 50-75%
Inflation hedging range: 80-95%

Inflation and Interest Rate hedging is measured on a Gilts + 0.5% p.a. basis only taking direct exposures in the LDI portfolio and Investment Grade 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.

SEPS Section

Interest Rate and Inflation Risk Hedging
Interest rate hedging range: 80-95%
Inflation hedging range: 80-95%

Inflation and Interest Rate hedging is measured on a Gilts + 0.5% p.a. basis only taking direct exposures in the LDI portfolio and Investment Grade (if any) into account, but not indirect hedging e.g. from private debt or equities or minor duration exposures from Growth Fixed Income.

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)	Notes
LDI	Insight	n/a	
Derivatives Overlay	Record	n/a	
Cash	BlackRock	n/a	
Investment Grade Credit	Insight	n/a	BOC only
	Mercer Global Credit Fund	BB Global Credit Customised Diversified ex Sub-Financials Index	SEPS only
Growth Fixed Income	Mercer Multi-Asset Credit Fund	FTSE EUR 1 Month Euro Deposit Index +3%	
	Mercer Emerging Market Debt (HC) Fund	JP Morgan EMBI Global Diversified ex CCC Index	
	Schroders	50% JPM EMBI 50% JPM GBI-EM	BOC only
Private Credit	Barings	3 month £ Libor + 3%	BOC only
	Bridgepoint		
	Aviva	3 month £ Libor + 2%	
	Ares		
Global Equity	Baillie Gifford	MSCI ACWI ESG Universal Index (GBP)	BOC only
	Wellington		
	Vontobel		
	Alliance Bernstein		
	Mercer (Passive Global Equity Fund) (Hedged and Unhedged)	MSCI World ex Selected Securities Index (Hedged and Unhedged)	SEPS only
Property	n/a	n/a	In liquidation
Liquid Alternatives	Mercer Diversifying Alternatives Strategies	FTSE EUR 1 Month Euro Deposit Index + 3%	
	Highbridge	3 month £ Libor + 3%	
	Marshall Wace		
Nat Cat Re-Insurance	Elementum	3 month £ Libor + 2%	
	LGT		