



# **Ericsson Employee Benefits Scheme**

## Statement of Investment Principles

December 2024

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# Section 1 Introduction

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This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 for the Ericsson Employee Benefits Scheme ('the Scheme'). It describes the investment policy being pursued by Ericsson Pension Trustee Limited ('the Trustee') as trustee of the Scheme, and is in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK ('the Myners Principles') and the Pensions Regulator's Investment Guidance for defined benefit pension schemes. This SIP also reflects the requirements of Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.

The Scheme Actuary is Robert Sweet of Cartwright Group Limited, the Investment Adviser is Schrodgers IS Limited ('Schrodgers Solutions' formerly River and Mercantile Solutions) and the Legal Adviser is Pinsent Masons LLP (collectively termed 'the Advisers').

The Trustee confirms that, before preparing this SIP, it has consulted with Ericsson Limited ('the Sponsoring Employer') and the Scheme Actuary and has obtained and considered written advice from the Investment Adviser. The Trustee believes the Advisers to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge of the investment arrangements that the Scheme requires.

The Trustee is responsible for the investment of the Scheme's assets and where they are required to make an investment decision, the Trustee always receives advice from the relevant Advisers first and it believes that this ensures that it is appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000 ('FSMA'), the Trustee sets general investment policy, but has delegated the day-to-day investment of the Scheme's assets to be undertaken through the fiduciary service of Schrodgers Solutions, hereafter referred to as the 'Investment Manager'.

The Investment Manager is authorised under the FSMA and provides the expertise necessary to manage the investments of the Scheme.

## Declaration

The Trustee confirms that this SIP reflects the investment strategy it has implemented for the Scheme. The Trustee acknowledges that it is its responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

Signed ..... Date .....

For and on behalf of Ericsson Pension Trustee Limited

## Section 2 Scheme Governance

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The Trustee sets general investment policy, but has delegated the day-to-day investment of the Scheme's assets to be undertaken through the fiduciary service of Schroders Solutions.

The Trustee is responsible for the governance and investment of the Scheme's assets. The Trustee considers that the governance structure set out in this SIP is appropriate for the Scheme as it allows the Trustee to make the important decisions on investment policy, while delegating the day-to-day aspects to the Investment Manager or the Advisers as appropriate. The responsibilities of each of the parties involved in the Scheme's governance are detailed in the Appendix of this SIP. The Trustee is satisfied that the Investment Manager has the appropriate knowledge and experience for managing the investments of the Scheme and they carry out their role in accordance with the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (the "**Investment Regulations**"), the principles contained in this SIP and any applicable investment guidelines and restrictions agreed with the Trustee.

Following the completion of a buy-in, and given that the Scheme's remaining surplus assets are held predominantly in cash (or equivalent) assets, the Trustee meets to discuss investment matters on a periodic basis- these meetings provide an opportunity for the Trustee to maintain sufficient involvement in the investment process to discharge its responsibilities appropriately and to demonstrate consultation with the Sponsoring Employer.

The Trustee believes that it should be collectively involved in the investment decision-making and has therefore decided not to appoint an Investment Sub-Committee to deal with investment matters.

The Trustee will review this SIP at least every three years, or following any changes to the investment strategy, and modify it with consultation from the Advisers and the Sponsoring Employer if deemed appropriate. There will be no obligation to change this SIP, the Investment Manager or Adviser as part of such a review.

## Section 3 Investment Objectives

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The Scheme's ultimate objective is to meet the benefit payments as they fall due. In order to achieve this, in November 2024, the Trustee agreed a low risk investment strategy comprising of a full Scheme buy-in contract with Just Retirement ("Just" and "the contract"). Under the terms of the contract, Just is committed to paying the retirement benefits due to all members and their dependents that were included in the contract. The Scheme's remaining assets are managed by the Investment Manager on a care and maintenance basis.

Given the Trustee no longer requires investment returns in order to meet any outstanding liabilities, including any residual liabilities yet to be transferred to Just, the Trustee's objective is no longer framed with reference to a liability-related objective.

## Section 4 Investment Strategy

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The Trustee has delegated the investment of the Scheme's remaining assets to the Investment Manager, on a care and maintenance basis.

## Section 5 Monitoring

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### Advisers

The Trustee will monitor the performance of the Advisers against the agreed performance objectives. The Trustee, or any other suitably qualified Adviser on behalf of the Trustee, will regularly review the activities of the Investment Manager to satisfy themselves that the Investment Manager continues to carry out their work competently and have the appropriate knowledge and experience to manage the assets of the Scheme.

As part of this review, the Trustee considers whether or not the Investment Manager:

- Is carrying out its function competently.
- Has regard to the need for diversification of investments.
- Has regard to the suitability of each investment and each category of investment.
- Has been exercising its powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical.

If the Trustee is not satisfied with the Investment Manager it will ask the Investment Manager to take steps to rectify the situation. If the Investment Manager still does not meet the Trustees' requirements, the Trustee will remove the Investment Manager and appoint another.

## Section 6 Corporate Governance and ESG

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### Corporate Governance and Stewardship

The Trustee and Investment Manager have agreed, and will maintain, formal agreements setting out the scope of the Investment Manager's activities, charging basis and other relevant matters. The Investment Manager has been provided with a copy of this SIP and is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995.

The Trustee has appointed the Investment Manager to implement the Scheme's investment strategy. The Investment Manager manages assets directly on behalf of the Trustee as well as having delegated authority to appoint, monitor and change the Underlying Managers.

The Investment Manager is appointed to carry out its role on an ongoing basis. The Trustee periodically reviews the overall value-for-money of using Schroders Solutions, and information in relation to costs associated with investing is included in the quarterly monitoring report. The Trustee is satisfied that these arrangements incentivise the Investment Manager:

- To align its investment strategy and decisions with the Trustee's investment policies, such as their return target and the restrictions detailed in the Investment Management Agreement, and

- To assess and make decisions based on the medium- to long-term financial and non-financial performance of issuers of debt or equity, and to engage with such issuers to improve this medium- to long-term performance. The success of such engagement will contribute to the Scheme's performance, which is measured relative to the Trustee's long-term performance objectives.

Noting the Scheme's Growth assets were near fully redeemed at the date of this Document, the Scheme's Growth asset investments are generally made via pooled investment funds, in which the Scheme investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes (such as capital structure) or other financially material considerations, is delegated to the Underlying Managers.

The Trustee has delegated responsibility for monitoring and voting on decisions relating to their Underlying Manager holdings to the Investment Manager. The Trustee does not have their own voting and engagement policies for the Scheme at this time, but it has the responsibility for the voting and engagement policies that the Investment Manager implements on their behalf and reviews these policies from time to time. The Investment Manager has an ESG policy in place which covers both voting and engagement as part of the overall active ownership strategy.

The Trustee undertakes the engagement directly with its Investment Manager who appoint Underlying Managers to carry out engagement with investee companies directly. The Investment Manager set out its voting and engagement priorities which focus on six themes including climate, Natural Capital and Biodiversity, Human Rights, Human Capital Management, Diversity and Inclusion and Corporate Governance. The Trustee has prioritised Climate, Natural Capital and Biodiversity, and Inclusion and Diversity based on survey results.

The Trustee believe those engagement priorities which have been chosen will result in better management of financially-material ESG and climate risks, therefore it is expected to improve the financial outcome of the Scheme which ultimately is in the members and beneficiaries' best interest. The Trustee reviews the voting and engagement activity of the Investment Manager on an annual basis including a review of the annual fiduciary management ESG report and will challenge the Investment Manager as necessary on its stewardship activity.

## Arrangements with Underlying Managers

The Investment Manager undertakes regular reviews of all Underlying Managers. These reviews incorporate benchmarking of performance and fees, with some managers on performance-related fees as well as performance reviews (including understanding key drivers of performance), investment due diligence meetings and operational due diligence reviews. The Investment Manager reviews the governance structures of Underlying Managers, as well as assessing whether their fees, expenses (and any other charges) are in line with industry peers at inception and from time to time whilst invested.

Where it can be determined, the Investment Manager assesses whether Underlying Manager remuneration arrangements are aligned with the Trustee's objectives. The method and time horizon for evaluating and remunerating Underlying Managers is determined by criteria set by the Investment Manager, as detailed above.

The Trustee acknowledges the inherent potential for conflicts of interest which exist as part of ongoing Investment management business activities. As an FCA regulated firm, the Investment Manager is required to prevent or manage conflicts of interest. Where Underlying Managers are also regulated, they are likely to be subject to such requirements to manage conflicts of interest as are applicable in their jurisdiction of incorporation or operations. The Investment Manager directly monitors these as part of their regulatory filings (where available), the Investment Manager also monitors this as part of ongoing review. The Investment Manager's Conflict of Interest policy was shared with the Trustee.

The Investment Manager oversees the turnover costs incurred by Underlying Managers as part of its ongoing monitoring process and evaluates such costs to determine if they are in line with peer groups and the Investment Manager's expectations. Where there are material deviations the Investment Manager engages with Underlying Managers to understand the rationale for such deviations and take appropriate action.

## Financially material investment considerations

These considerations which include the below "Risks" can affect the long-term financial performance of investments and can (but do not have to) include environmental, social and governance factors (otherwise known as "ESG") where relevant. All references to ESG also include climate change.

The Trustee recognises climate change as a systemic, long-term material financial risk to the value of the Scheme's investments. The Trustee is supportive of the Paris Agreement and will aim to achieve a carbon neutral portfolio by 2050 or sooner.

The Trustee policy is to delegate consideration of financially material factors, including ESG to the Investment Manager who considers these when constructing the portfolio, including looking at Underlying Managers. All references to ESG relate to financial factors only. As part of their ongoing monitoring, the Trustee reviews some key metrics on a regular basis that are provided by the Investment Manager covering ESG which enable them to engage with the Investment Manager and understand the impact of ESG on the portfolio.

Given the nature of the Scheme's buy-in policies, the Trustee believes it has a limited scope to influence the ongoing stewardship and corporate governance activities of the insurer as a result it will not actively seek to monitor its activities and policies in this area. Should the Trustee be provided with any opportunity which it deems appropriate to engage its insurers it will consider this and will outline its views and expectations of the insurers – should it deems this to be appropriate. The Trustee reviewed the ESG capabilities of the insurer as part of the RFP process and were comfortable with the insurers approach and systems in this area.

## Non-financial matters

The Trustee does not at present take into account non-financial matters (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as there is no likely common view on any ethical matters which members are likely to hold. At this time the Trustee has no plans to seek the views of the membership on ethical considerations.

## Section 7 Risks

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The Trustee recognises a number of risks involved in the investment of the assets of the Scheme. These risks, and how they are measured and managed, include (but are not limited to):

- **Funding and asset/liability mismatch risk** – the risk that the funding level or the ability to pay liabilities is adversely affected due to a mismatch between the assets and liabilities. This risk is managed in the following ways:
  - Implementing a full buy-in of the Scheme's liabilities
  - Retaining assets, in the form of cash and sovereign bond funds, in excess of the buy-in policy and the Trustee bank account to preserve the capital value of the surplus.

- **Underperformance risk** – the risk of underperforming the benchmarks and objectives set by the Trustee. This risk is minimised by implementing a buy-in policy and retaining additional invested assets in a low-risk asset class (cash and sovereign bonds).
- **Concentration risk** – the risk of an adverse influence on investment values from the concentration of holdings. While the Scheme’s invested assets are held entirely in a buy-in policy, this lack of diversification is appropriate given the Scheme’s circumstances.
- **ESG Risk** - the risk of adverse performance due to ESG related factors including climate change. This is addressed by the Investment Manager’s ESG assessment at the point of investment with Underlying Managers. A summary of the overall ESG characteristics in the portfolio in the quarterly governance report.
- **Organisational risk** – the risk of inadequate internal processes leading to problems for the Scheme. This is addressed through regular monitoring of the Investment Manager and Advisers.
- **Sponsor risk** – the risk of the Sponsoring Employer ceasing to exist which, for reasons of prudence, has been taken into account when setting the asset allocation strategy. The Trustee regularly reviews the covenant of the Sponsoring Employer.
- **Insurer default/credit risk** - The risk of a default by the bulk annuity provider (buy-in insurer). The Trustee and its risk settlement advisors considered the strength of the insurer before entering into the policy whilst considering the wider regulatory framework within which they are required to operate.

The Trustee will keep these risks and how they are measured and managed under regular review.

## Section 8 Other Issues

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### Additional Voluntary Contributions (AVCs)

Under the Scheme’s Trust Deed and Rules, members are allowed to invest Additional Voluntary Contributions to improve the benefits they receive at retirement. The Trustee has selected a range of investment funds with Legal & General investment platform for the AVCs to be invested in.

The Trustee reviews these arrangements regularly having regard to their performance, the objectives and the views of the Advisers.

### Realisation of Assets

The majority of the remaining residual assets are held in money market cash funds, most of which can be realised easily if the Trustee so requires. Restrictions are placed on the Investment Manager’s ability to invest in illiquid and non-readily realisable assets.

### Manager Agreements

The Trustee and the Investment Manager have agreed, and will maintain, formal agreements setting out the scope of the Investment Manager’s activities, its charging basis and other relevant matters. The Investment Manager is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995.

## Custody

Through the fiduciary service, the Scheme's remaining assets are held on behalf of the Trustee by a custodian, currently CACEIS ('the Custodian'). Although the Trustee has a direct contractual relationship with the Custodian, the appointment and monitoring of the Custodian is delegated to the Investment Manager.

# Appendix - Responsibilities

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## Trustee

The Trustee of the Scheme is responsible for, amongst other things:

- Determining the investment objectives of the Scheme and reviewing these from time to time.
- Agreeing an investment strategy designed to meet the investment objectives of the Scheme.
- Reviewing regularly the content of this SIP and modifying it if deemed appropriate, in consultation with the Advisers and the Sponsoring Employer.
- Reviewing the suitability of the investment policy following the results of each actuarial or investment review, in consultation with the Advisers.
- Assessing the quality of the performance and process of the Investment Manager by means of regular reviews of the investment results and other information, by way of meetings and written reports, in consultation with the Advisers.
- Appointing and dismissing the Investment Manager and the Custodian in consultation with the Advisers.
- Assessing the ongoing effectiveness of the Advisers.
- Consulting with the Sponsoring Employer when reviewing investment policy issues.
- Monitoring compliance of the investment arrangements within this SIP on an ongoing basis.
- Advising the Advisers of any changes to Scheme benefits and significant changes in membership.

## Investment Manager

The Investment Manager will be responsible for, amongst other things:

- At its discretion, but within any guidelines given by the Trustee, implementing changes in the asset mix and selecting and undertaking transactions in specific investments within each asset class to achieve the stated objective.
- Providing the Trustee with sufficient information each quarter to facilitate the review of its activities, including:
  - a report of the strategy followed during the quarter;
  - the rationale behind past and future strategy;
  - a full valuation of the assets and a performance summary; and
  - a transaction report and a cash reconciliation (if requested).
- Informing the Trustee immediately of:
  - any breach of this SIP that has come to its attention;
  - any serious breach of internal operating procedures;
  - any material change in the knowledge and experience of those involved in managing the Scheme's investments; or
  - any breach of investment restrictions agreed between the Trustee and the Investment Manager from time to time.

## Investment Adviser

The Investment Adviser will be responsible for, amongst other things:

- Participating with the Trustee in reviews of this SIP.

- Advising the Trustee how any changes within the Scheme's benefits, membership and funding position may affect the manner in which the assets should be invested.
- Advising the Trustee of any changes in the Scheme's Investment Manager that could affect the interests of the Scheme.
- Advising the Trustee of any changes in the investment environment that could either present opportunities or problems for the Scheme.
- Undertaking reviews of the Scheme's investment arrangements including reviews of the asset allocation policy and selection of new managers, as appropriate.

## Scheme Actuary

The Scheme Actuary will be responsible for, amongst other things:

- Liaising with the Investment Adviser on the suitability of the Scheme's investment strategy.
- Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels.
- Commenting on the appropriateness of the investment strategy relative to the liabilities of the Scheme at the triennial valuations.
- Advising the Trustee and Investment Adviser of any changes to contribution levels and funding level.

## Custodian

The Custodian will be responsible for, amongst other things:

- Safe-keeping and administration of all the directly held assets.
- Collecting income from assets and transferring it to the Trustee.
- Processing all tax reclaims in a timely manner.
- Reconciling records of assets held with those of the Investment Manager.

## Legal Adviser

The Legal Adviser will be responsible for, amongst other things:

- Liaising with the Trustee to ensure legal compliance in respect of investment matters.