LifeGoals.
FINANCIAL SERVICES

# PAN-EUROPEAN PERSONAL PENSION PRODUCT

## PEPP Investment Policy Principles

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# 1. Purpose and Scope

This Investment-Policy Principles document sets out the framework governing the investment approach, risk-measurement, and risk-management principles applied to the LifeGoals Pan-European Personal Pension Product (PEPP), offered by LifeGoals Financial Services Ltd ("the Company or LifeGoals").

Its purpose is to explain clearly how the Company designs, implements, and oversees the PEPP's investment strategies in accordance with Regulation (EU) 2019/1238 and Delegated Regulation (EU) 2021/473.

The document defines the principles under which investment decisions are made and monitored, ensuring consistency with the prudent-person rule, the long-term interests of PEPP savers, and the integration of Environmental, Social and Governance (ESG) factors.

The Investment-Policy Principles apply to all PEPP investment options offered by the Company:

- Basic PEPP
- Growth PEPP
- Aggressive PEPP

Each PEPP investment option follows a lifecycle investment framework that progressively adjusts exposure to growth and defensive assets as the participant approaches retirement. Through this framework, LifeGoals ensures that the management of PEPP assets remains disciplined, transparent, and aligned with the long-term retirement objectives of its savers.

The PEPPs do not invest directly in individual securities; instead, they gain diversified market exposure through underlying LifeGoals ESG portfolios, which are implemented exclusively via UCITS-compliant ETFs.

These portfolios represent distinct risk-return profiles and serve as the building blocks for each PEPP's lifecycle allocation.

The document covers:

- The quantitative risk-measurement methods and indicators used to assess investment risk (Section 2);
- The strategic-asset-allocation principles defining the lifecycle structure (Section 3);
- The integration of ESG factors into investment decisions (Section 4);
- The risk-management processes and governance framework ensuring ongoing oversight (Section 5);

# 2. Risk-Measurement Methods

LifeGoals applies both quantitative and qualitative methods to identify, measure and monitor the risks affecting all PEPP investment options.

Risk measurement combines two complementary layers:

a. A model-based framework that provides long-term, forward-looking risk and performance projections; and
b. A portfolio and underlying ETF-level monitoring framework that ensures ongoing control and validation of actual market behaviour.

## 2.1. Model-Based Risk Framework

The LifeGoals stochastic model provides the quantitative foundation for assessing long-term portfolio behaviour under varying economic conditions.

It simulates 10,000 independent Monte Carlo scenarios over a 40-year horizon at monthly frequency and captures interactions between inflation, interest-rate and equity-return dynamics and quantifies potential performance outcomes for each lifecycle phase of the PEPP — accumulation, transition and preservation.

### 2.1.1. Modelling Components

Specifically, the stochastic model integrates four calibrated components:

- **Inflation:** one-factor Vasicek (Ornstein–Uhlenbeck) process calibrated to Euro-area HICP.
- **Interest rates:** Vasicek short-rate model fitted to the ECB AAA zero-coupon yield curve.
- **Equities:** Geometric Brownian Motion using LifeGoals portfolio data to estimate equity-risk premium (λ) and volatility (σ).
- **Contributions:** deterministic €100 monthly stream.

These models interact dynamically to produce consistent paths for inflation, interest rates and asset returns. The outputs form the quantitative basis for both internal risk monitoring and regulatory disclosures.

### 2.1.2. Quantitative Metrics

Key indicators derived from these simulations include:

- Probability to Recoup Contributions – probability that accumulated capital equals or exceeds inflation-adjusted contributions;

- Expected Shortfall – average magnitude of loss in adverse scenarios;
- Expected Reward – median ratio of accumulated capital to total contributions; and
- Volatility and dispersion measures – standard deviation and percentile ranges of projected outcomes.

These indicators are produced for each PEPP investment option and lifecycle phase to ensure risk is assessed in line with the saver's time horizon and de-risking schedule.

### 2.1.3. Key objectives of the stochastic model

- Achieving inflation-adjusted returns: The model aims for a probability of at least 80% of outperforming the annual rate of inflation over a 40-year accumulation phase, ensuring that savers' investments grow in real terms throughout the saving period.
- Minimizing risk during accumulation and decumulation phases: The model is designed to limit potential shortfalls by ensuring that the projected loss at the end of the accumulation phase does not exceed 20% in stressed scenarios (i.e., at the fifth percentile of the distribution). This helps reduce the risk of underperformance during unfavourable market conditions.
- Capital protection in the decumulation phase: For the Basic PEPP, the model ensures a 92.5% probability of recouping the capital invested at the start of the decumulation phase and throughout it. If the remaining accumulation phase is 10 years or fewer, the model may target a lower 80% probability of capital recovery.
- Dynamic de-risking: The stochastic model drives the gradual shift from higher-risk to lower-risk portfolios as the saver nears retirement, ensuring that the risk profile aligns with the time horizon and evolving market conditions.

## 2.2. Portfolio and ETF-Level Risk Monitoring

The LifeGoals portfolios are monitored continuously to ensure that their risk and return characteristics remain consistent with their stated investment objectives and strategic allocations.
Monitoring takes place both at the ETF level and at the overall portfolio level, with oversight by the Investment Committee.

### 2.2.1. ETF-Level Monitoring

The risk characteristics of each underlying ETF are reviewed on an ongoing basis. Performance, volatility, tracking difference, and diversification metrics are monitored to confirm that each ETF continues to reflect its intended market exposure and maintains a risk profile consistent with its role in the portfolio. Liquidity and fund size are observed to ensure adequate market depth and tradability. Sustainability and ESG scores are also monitored to verify continued alignment with the Company's ESG integration policy and exclusion criteria.

### 2.2.2. Portfolio-Level Oversight

At the portfolio level, market risk is assessed through VaR-equivalent volatility (VEV), from which the Market Risk Measure (MRM) is derived in accordance with Annex II of Commission Delegated Regulation (EU) 2017/653 supplementing the PRIIPs Regulation (EU) No 1286/2014, to ensure that each portfolio remains within its maximum intended risk category.

The asset management function monitors portfolio data and risk characteristics on a daily basis, while the Investment Committee reviews detailed portfolio information at least quarterly and in practice monthly.

### 2.2.3. Operational and Counterparty Considerations

Operational and counterparty risks are managed primarily through the use of UCITS ETFs and reputable counterparties. The Company relies on the regulatory framework, transparency, and operational standards of the ETF issuers, custodians, and trading venues it engages with.

This process ensures that LifeGoals portfolios maintain their intended balance between risk, return, and sustainability — supporting their continued suitability for use within the PEPP structure.

# 3. Strategic Asset Allocation

The LifeGoals PEPP is structured around a lifecycle investment framework that aligns portfolio risk with the participant's remaining time to retirement. This framework aims to capture growth opportunities in earlier years while progressively mitigating risk as retirement approaches and the investment horizon shortens. The approach balances the dual objectives of long-term capital growth and capital preservation by gradually shifting exposure from growth assets, such as equities, to more stable asset classes, such as cash and bonds.

The three PEPP investment options differ primarily in their starting allocations and de-risking pace:

- Basic PEPP follows a more moderate investment approach, reducing equity exposure gradually as retirement approaches.
- Growth PEPP maintains higher equity exposure for longer horizons, targeting higher expected returns while still transitioning progressively to lower-risk portfolios.
- Aggressive PEPP is the most aggressive option of the three, with the highest equity allocation and transitions gradually to less conservative portfolios as retirement nears.

All three investment options invest exclusively through the LifeGoals ETF-based portfolios, which serve as the underlying investment vehicles.

Each PEPP investment option follows its own schedule of transitions to progressively lower-risk portfolios as retirement approaches, informed and validated using the stochastic model's risk and performance metrics. The investment journey of every PEPP is divided into three distinct phases, each with a specific investment objective and corresponding portfolio allocation.

## 3.1. Lifecycle-Based Allocation

**Each PEPP investment option follows a pre-defined de-risking path aligned with the saver's remaining time to retirement:**

- High-Risk Phase: portfolios are primarily allocated to equity-focused LifeGoals portfolios to maximise long-term growth potential.
- Transition Phase: as the participant enters the final decade before retirement, each PEPP begins to reduce exposure to equities and increase allocation to lower-volatility assets through intermediate portfolios.
- Preservation Phase: The preservation phase focuses on capital protection by reducing exposure to equities and concentrating on defensive assets.

This lifecycle structure ensures that investment risk declines over time, providing a smooth transition from accumulation to preservation and maintaining consistency with the prudent-person principle and the retirement-income objective of the PEPP.

As each PEPP investment option progresses toward retirement, it moves gradually through a sequence of portfolios, each representing a distinct balance between growth potential and capital stability.

Portfolios with higher equity allocations, such as the Equity ESG or Aggressive ESG portfolios, target long-term capital appreciation and therefore carry higher risk and return expectations. In contrast, portfolios such as the Balanced ESG and Conservative ESG place greater emphasis on income generation and capital preservation, resulting in lower volatility and more stable outcomes. The progression between these portfolios allows each PEPP to follow a clear, structured path that aligns the investor’s asset mix with their remaining time to retirement.

The tables below illustrate the specific transitions and corresponding allocations for each PEPP investment option, while further information on the underlying LifeGoals portfolios is provided in the sections that follow.

## Basic PEPP

| Years to Retirement | Underlying LifeGoals Portfolio | Equity | Fixed Income | Cash | Alternatives |
|---|---|---|---|---|---|
| More than 10 | Growth ESG | 65% | 15% | 5% | 15% |
| 6 to 10 | Dynamic ESG | 40% | 30% | 15% | 15% |
| 3 to 5 | Balanced ESG | 30% | 40% | 15% | 15% |
| Up to 2 | Conservative ESG | 20% | 35% | 40% | 5% |

## Growth PEPP

| Years to Retirement | Underlying LifeGoals Portfolio | Equity | Fixed Income | Cash | Alternatives |
|---|---|---|---|---|---|
| More than 10 | Aggressive ESG | 80% | 10% | 5% | 5% |
| 7 to 10 | Growth ESG | 65% | 15% | 5% | 15% |
| 4 to 6 | Dynamic ESG | 40% | 30% | 15% | 15% |
| 2 to 3 | Balanced ESG | 30% | 40% | 15% | 15% |
| Up to 1 | Conservative ESG | 20% | 35% | 40% | 5% |

## Aggressive PEPP

| Years to Retirement | Underlying LifeGoals Portfolio | Equity | Fixed Income | Cash | Alternatives |
|---|---|---|---|---|---|
| More than 10 | Equity ESG | 100% | 0% | 0% | 0% |
| 7 to 10 | Aggressive ESG | 80% | 10% | 5% | 5% |
| 4 to 6 | Growth ESG | 65% | 15% | 5% | 15% |
| 2 to 3 | Dynamic ESG | 40% | 30% | 15% | 15% |
| Up to 1 | Balanced ESG | 30% | 40% | 15% | 15% |

## 3.2. Underlying LifeGoals Portfolios

The PEPPs implement the above phases by obtaining the relevant market exposure through pre-constructed LifeGoals portfolios, each representing a specific risk/return level.

Each underlying LifeGoals portfolio has an established strategic allocation across the main asset classes of equities, fixed income, cash, and gold.

These portfolios exist independently of the PEPP structure and are already constructed to reflect distinct levels of risk and return.

For example, the Equity ESG Portfolio represents a high-risk, growth-oriented allocation, whereas the Conservative ESG Portfolio represents a defensive allocation with greater emphasis on stability.

The strategic asset allocations and general profile of the underlying LifeGoals portfolios are as follows sorted from lower risk to higher risk:

| Portfolio | Equity | Fixed Income | Cash | Alternatives (Gold) |
|---|---|---|---|---|
| **Conservative ESG** | 20 % | 35 % | 40 % | 5 % |
| **Balanced ESG** | 30 % | 40 % | 15 % | 15 % |
| **Dynamic ESG** | 40 % | 30 % | 15 % | 15 % |
| **Growth ESG** | 65 % | 15 % | 5 % | 15 % |
| **Aggressive ESG** | 80 % | 10 % | 5 % | 5 % |
| **Equity ESG** | 100 % | 0 % | 0 % | 0 % |

These exposures are achieved through a fund-of-funds approach, whereby each LifeGoals portfolio invests in a diversified selection of Exchange-Traded Funds (ETFs) that provide the desired market and asset-class exposure.

## 3.3. Implementation of Asset Allocation and ETF Selection

All LifeGoals portfolios used within the PEPP are implemented exclusively through UCITS-compliant Exchange-Traded Funds (ETFs). This approach provides transparent, diversified, and liquid exposure to global equity, fixed-income, and other markets while maintaining high regulatory standards and investor protection.

ETF selection follows a structured process designed to ensure that each holding meets the Company’s requirements for financial quality, operational robustness, and sustainability alignment. The process seeks to maintain consistency across portfolios while allowing flexibility to adapt to market developments and product innovation.

When evaluating the initial universe of eligible ETFs, the Company considers, among others, the following criteria:

- Fund size, liquidity, and cost efficiency, to ensure accessibility and operational resilience;
- Performance and risk characteristics, assessing historical returns, volatility, and consistency relative to benchmark expectations;
- Regional and sectoral accuracy, ensuring that each ETF provides the intended market exposure;
- ETF Provider transparency and overall reputation
- Alignment with ESG and exclusion standards, ensuring consistency with the Company's sustainability principles and the objectives of the LifeGoals ESG portfolios.

Only ETFs that satisfy these standards are considered eligible for further evaluation.

From the pool of eligible ETFs, the Company undertakes a comparative assessment to identify the best-in-class options for each asset class or market segment. This step aims to select the ETF that most effectively fulfils the portfolio's investment objectives while maintaining cost efficiency and adherence to ESG standards.

The comparative evaluation considers relative tracking performance, stability of results across different market environments, and the quality of index replication. Where multiple suitable options exist, preference is given to ETFs offering stronger liquidity, competitive pricing, and a proven operational track record.

To minimise currency risk, the portfolios prioritise the use of euro-hedged underlying ETFs wherever suitable products are available. As a result, the majority of assets across the LifeGoals portfolios are held in euro-hedged share classes, ensuring that portfolio performance primarily reflects the behavior of the underlying asset classes rather than fluctuations in foreign exchange rates.

Final selections are reviewed and approved by the Investment Committee, ensuring that each ETF added to the portfolio represents the most appropriate and reliable vehicle for its intended exposure.

All ETF holdings are monitored continuously to ensure they remain appropriate for their intended role in each portfolio. This includes regular assessment of performance, liquidity, cost efficiency, and continued compliance with ESG standards.

If an ETF no longer meets the Company's investment or sustainability criteria—due to underperformance, structural change, or an ESG downgrade—it is reviewed by the portfolio manager and presented to the Investment Committee for consideration. Where appropriate, a replacement ETF is identified and proposed in line with the selection process described above.

Rebalancing is conducted automatically on a weekly basis, ensuring that portfolios remain closely aligned with their target weights at all times. The process is executed through LifeGoals proprietary middle-office and trading system, using FIX (Financial Information eXchange) protocol API connectivity to the end-brokers, and it is carried out entirely without manual intervention.

## 3.4. Model Integration and Review

The stochastic model described in Section 2 supports the determination and validation of the lifecycle allocation paths.

It evaluates projected risk-return trade-offs, drawdown probabilities, and capital-preservation rates under thousands of simulated market scenarios.

The resulting allocation paths optimise expected long-term returns while maintaining appropriate downside protection as retirement approaches.

Strategic allocations and lifecycle schedules are reviewed at least annually by the Investment Committee to confirm their continued alignment with:

- market conditions and inflation expectations,
- the risk appetite defined in the Risk-Management Framework, and
- the long-term objectives of PEPP savers.

## 3.5. Implementation and Oversight

All allocations are implemented through the underlying ETFs selected according to the ETF-Selection and Governance process.

The Investment Committee monitors compliance with target allocations, risk limits, and ESG standards, ensuring that portfolio composition remains consistent with the defined strategic asset-allocation framework.

# 4. Integration of ESG Factors

The LifeGoals portfolios used within the PEPP apply environmental, social, and governance (ESG) considerations as a core part of the investment process.

Each LifeGoals ESG portfolio commits that at least 80% of its assets are invested in ETFs classified as Article 8 under the Sustainable Finance Disclosure Regulation (SFDR). This ensures that the majority of investments promote environmental or social characteristics and follow sound governance practices.

A small portion of the portfolios may be invested in ETFs that are not classified as Article 8. These holdings are limited in size and reflect market areas where ESG-labelled instruments are not yet widely available. Despite these exceptions, the portfolios remain predominantly (over 80%) invested in ESG-aligned ETFs.

## 4.1. Exclusion Standards

As a fund-of-funds structure, the Company strives for consistency in how sustainability standards and exclusions are applied across the different portfolios and ETF providers it invests through.

While each underlying ETF may follow its own benchmark methodology, the overall objective is to ensure that all portfolios reflect a common ESG philosophy and exclude exposures that conflict with it.

Each LifeGoals ESG portfolio applies exclusions through the methodologies of the underlying ETFs and their benchmark indices.

The portfolios ESG compliant investments exclude:

- Issuers involved in controversial weapons, tobacco, thermal-coal mining or thermal coal power generation
- Issuers violating the UN Global Compact Principles or equivalent international norms;
- Sovereign issuers subject to UN Security Council trade sanctions.

These exclusions are binding through the ETF-selection process and form a core component of the investment policy.

## 4.2. Assessment of ESG characteristics

The Company uses sustainability data from 3rd party data vendors (LSEG/MSCI) to assess and monitor the ESG characteristics of the underlying investments. LSEG provides independent ESG scores that help evaluate the overall sustainability quality of the ETFs held within each portfolio.

Each portfolio targets for its ESG-aligned underlying ETFs to have an average LSEG ESG score of 70, which is considered to represent good overall sustainability quality. Scores above 75 are regarded as excellent, reflecting strong ESG performance and governance practices among the underlying holdings.

## 4.3. Principal Adverse Impacts and Engagement

As a fund-of-funds structure investing solely through ETFs, the Company relies on the PAI reporting, exclusion frameworks, and stewardship practices of the underlying ETF providers. These providers disclose, manage, and engage on PAIs—such as greenhouse-gas emissions, violations of international norms, and exposure to controversial sectors—at the issuer level.

The Company monitors these disclosures and takes them into account when selecting or reviewing ETFs, ensuring that the portfolios remain aligned with recognised responsible-investment practices. The Company itself does not undertake direct engagement with issuers or exercise voting rights but leverages the engagement activities of the ETF providers as part of its overall ESG approach.

## 4.4. Reporting and Transparency

Information on ESG integration, exclusion policies, and sustainability metrics is included in the PEPP Benefit Statement and made publicly available through the Company’s website.

This ensures transparency for savers and demonstrates alignment with Article 41(1)(b) of Regulation (EU) 2019/1238 and the broader objectives of the EU Sustainable Finance Framework.

# 5. Risk-Management Processes

LifeGoals maintains a structured framework to identify, control and oversee all material risks related to the PEPP.

This framework integrates the quantitative results, strategic-allocation principles, and ESG standards described in the preceding sections with clearly defined governance responsibilities and decision-making procedures.

## 5.1. Governance Structure

Risk oversight follows the three-lines-of-defence model:

1. Portfolio Management: implements investment strategies and ensures compliance with portfolio limits.
2. Risk Management and Compliance Function:

    - The Risk Management Function independently monitors risk exposures, validates the outputs of the stochastic model and oversees quantitative limits and key risk indicators.
    - The Compliance Function ensures adherence to applicable laws, regulations, and internal policies, including product governance, disclosure, and ESG-related obligations under the PEPP Regulation, SFDR, and associated technical standards. It also verifies that all regulatory reports and investor disclosures accurately reflect the approved methodologies and risk metrics.

3. Internal Audit: periodically reviews adherence to the SIPP, the Risk-Management Framework and model-governance procedures.

The Investment Committee supervises ETF selection, portfolio composition and Risk Committee adherence to the lifecycle allocation derived from the stochastic model.

Meetings are held at least quarterly, to review portfolio performance, risk metrics, ESG alignment, and overall compliance with internal policies and regulatory obligations.

## 5.2. Core Processes

Key processes supporting ongoing risk control include:

- **Strategic Asset Allocation Review:** performed at least quarterly to ensure each PEPP’s lifecycle allocation remains aligned with objectives and risk appetite.
- **Risk Monitoring and Reporting:** model-based indicators are monitored quarterly.

- **Key Risk Indicators:** quantitative limits and alert thresholds are maintained for key risks, triggering escalation and review when exceeded.
- **ESG Monitoring:** periodic verification that the relevant underlying ETFs maintain Article 8 classification and comply with internal exclusion and scoring criteria.
- **Model Governance:** calibration validation, change control and documentation.

### 5.3. Integration with the Risk-Measurement Framework

Outputs from the stochastic model and additional quantitative metrics directly inform the Company's risk-management decisions.

They guide PEPP Lifecycle transition schedule, support key risk indicators, and ensure that investment decisions remain consistent with the prudent-person principle and the long-term objectives of PEPP savers.