The CHC Scotia Pension Scheme (the “Scheme”) Statement of Investment Principles (the “Statement”)

1. Scope of Statement

This Statement has been prepared in accordance with Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005).

The effective date of this Statement is November 2023. The Trustees will review this Statement and the Scheme investment strategy no later than three years after the effective date of this Statement and without delay after any significant change in investment policy.

2. Consultations Made

The Trustees have consulted with CHC Scotia Limited (the “Company”), prior to writing this Statement and will take the Employer’s comments into account when they believe it is appropriate to do so.

The Trustees are responsible for the investment strategy of the Scheme. They have obtained written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Aon Investments Limited who are authorised and regulated by the Financial Conduct Authority.

The day to day management of the Scheme assets has been delegated to Aon Investments Limited ("AIL"), Schroders Solutions (“Schroders”) (formerly River and Mercantile Investments Limited), and Abrdn Investment Management Limited (Abrdn) (the "Managers") who are authorised and regulated by the Financial Conduct Authority. A copy of this Statement has been provided to the Managers and is available to the members of the Scheme.

3. Objectives

The Trustees aim to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided. Additionally, the Trustees look to:

- reduce deficit Value at Risk to an acceptable level to reflect the strength of the Company covenant
- minimise pension cost in the long term,
- achieve a target return sufficient to meet their funding target, and
- pay regard to pension cost variation.

The Trustees recognise that these objectives may conflict. For example, a greater allocation to more defensive assets may give greater security but may result in a level of deficit contributions which the Company may find too difficult to support. The Trustees also recognise that in resolving this conflict, it is necessary to accept some risk.

The Trustees agreed with the Company to work towards a long term strategy and have put in place an integrated funding and investment strategy that has a short to medium term objective of significantly reducing deficit Value at Risk over a period when the Company covenant is weakened, and the long term strategy is to be fully funded on a risk free basis by end of 2040.

4. Risk

The Trustees recognise that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustees have identified a number of risks which have the potential to cause a deterioration in the Scheme funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustees and their advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to Scheme immediate liabilities ("cash flow risk"). The Trustees and their advisers will manage Scheme cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers chosen by the Managers, to achieve the rate of investment return assumed by the Trustees ("manager risk"). This risk is considered by the Trustees and Managers both on the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustees have delegated this decision to the Managers. This risk was considered by the Trustees and their advisers when setting the Scheme investment strategy. The Managers also consider this risk when implementing the strategy.
- The possibility of failure of the Scheme sponsoring employer ("covenant risk"). The Trustees and their advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review. This will normally be done triennially. Some of these risks may also be modelled explicitly during the course of such reviews.

To allow the Trustees to monitor some of the key risks they receive quarterly reports which will include information such as:

- Progress of the estimated funding level over the quarter.
- Performance versus the estimated growth in Scheme liabilities.
- Any significant issues that may impact its ability to meet the performance target set by the Trustees.
- Periodic updates of the deficit Value at Risk

5. Implementation

The Trustees have delegated all day-to-day decisions in respect of the Scheme investment to the Managers through a written contract including the allocation of assets between different asset classes and the appointment and monitoring of fund managers. When choosing asset classes and fund managers, the Trustees and Managers are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The Managers' responsibilities include:

- Realisation of investments;
- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Delegating voting and corporate governance as required for the underlying investment managers to meet the performance objectives of the investments they hold.

The Trustees delegate their powers of investment to the Managers appointed by the Trustees. The Managers exercise the power of investment in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk a spread of assets is held. The diversification is both within and across the major asset classes.

The Trustees review the Scheme investment strategy following each actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way).

6. Custody

The Managers are responsible for the appointment and monitoring of the Custodians of the Scheme assets. Custody services may involve safekeeping of title documents, assets and investments, the collection of income and other entitlements, the settlement of transactions and all other administrative functions in relation to such assets and investments, including the exercise of Investor Rights. The Managers are authorised to deal on behalf of the Trustees with the Custodians on an ongoing basis.

The Custodians are independent of the Company.

7. Expected Returns on Assets

Over the long-term the Trustees' expectations are:

- for the “growth” assets (UK and overseas equities, property, etc), to achieve a return (net of fees) such that the whole portfolio returns 1.5% per annum in excess of return on the liabilities. The Trustees are willing to incur short-term volatility in asset price behaviour with the expectation that over the long-term these assets will outperform asset classes which may be regarded as matching the liabilities;

- for the “matching” assets to achieve a return in line with the movement in the element of the liabilities they are being held to cover.

The Trustee investment strategy is such that over the long term the Scheme assets are expected to achieve a rate of return which is sufficient to be fully funded on a risk free basis by 2040.

8. Realisation of Investments/Liquidity

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise.

The majority of the assets held are realisable at short notice (either through the sale of direct holdings of stocks, bonds etc. or the sale of units in pooled funds).

9. Responsible Investment

In setting the Scheme investment strategy, the Trustees primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. The Trustees acknowledge that an understanding of financially material considerations including environmental, social and corporate governance ("ESG") factors (such as climate change) and risks related to these factors can contribute to the identification of investment opportunities and financially material risks.

The Trustees expect the Scheme investment managers to take into account corporate governance, social, and environmental considerations (including long-term risks posed by sustainability concerns including climate change risks) in the selection, retention and realisation of investments. The investment manager is expected to take these considerations into account over what they deem an appropriate time horizon which will vary from manager to manager.

In addition, the Trustees are taking the following steps:

- The Trustees will receive regular training from their investment consultant on Responsible Investment to understand how ESG factors, including climate change, could impact the Scheme assets and liabilities.

- The Trustees will request the Scheme investment managers to provide their Responsible Investment policy and details of how they integrate ESG into their investment decision making process on an annual basis. Should the Scheme look to appoint a new manager, where relevant and appropriate, the Trustees will request this information as part of the selection process. The Trustees and their investment consultant will use this information to evaluate the managers.

- The Trustees use AIL and Schroders' ESG reporting contained within their quarterly reporting to assess the Scheme ESG impact on a more regular basis.

Stewardship – Voting and Engagement

The Trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Trustees recognise that ultimately this protects the financial interests of the Scheme and its beneficiaries.

Delegated Managers:

The Trustees annually review the stewardship activity of the two delegated managers to ensure the Scheme stewardship policy is being appropriately implemented in practice. The Trustees receive annual reports on stewardship activity carried out by their delegated managers, these reports include detailed voting and engagement information from underlying asset managers.

The Trustees have delegated all voting and engagement activities to the Scheme investment managers, via the two delegated managers. The Trustees accepts responsibility for how the manager stewards assets on its behalf, including the casting of votes in line with each managers' individual voting policies. The Trustees reviews manager voting and engagement policies on an annual basis from both delegated managers to ensure they are in line with Trustee expectations and in members' best interests.

As part of the **delegated manager's** management of the Scheme assets, the Trustees expect the manager to:

- Ensure that (where appropriate) underlying asset managers exercise Trustee voting rights in relation to the Scheme assets; and

- Report to the trustees on stewardship activity by underlying asset managers as required.

Managers are expected to vote at company meetings and engage with companies on behalf of the Trustee in relation to ESG considerations and other relevant matters (such as the companies' performance, strategy, risks, capital structure, and management of conflicts of interest).

The Trustees will engage with their **delegated managers** as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Scheme, in particular where: votes were cast against management; votes against management generally were significant; votes were abstained; voting differed from the voting policy of the Trustees.

The underlying asset managers appointed by the delegated managers are expected to monitor the companies they invest in on a range of relevant matters[1] and where appropriate use such information to inform their investment decisions and / or engage with the company to seek improvements. The delegated managers are expected to monitor the ability and willingness of their respectively appointed underlying asset managers to monitor and engage accordingly. Where the delegated manager identifies a significant concern, they may seek to engage with the appointed underlying asset manager but may replace them if it is in the best financial interests of the Scheme.

Where a significant concern is identified by the Trustees or other stakeholders, the Trustees will engage with their delegated managers (typically verbally at Trustee meetings or through email) , who in turn are able to engage with underlying asset managers, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made.

This engagement aims to ensure that robust active ownership behaviours, reflective of the Trustee active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Scheme members on request.

Should the Trustee monitoring process reveal that a manager's voting and engagement policies and actions are not aligned with Trustee expectations, the Trustee will engage with the delegated manager, to discuss how alignment may be improved to bring about the best long-term outcomes for the Scheme.

Abrdn:

The Scheme is also invested in Long Lease Property pooled fund with Abrdn. The Trustees review the stewardship activities of Abrdn on an annual basis to ensure they are in line with the Trustees' expectations and in members' best interest. The Trustees will review the alignment of the Trustees' policies to Abrdn's policies and ensure Abrdn, or other third parties, use their influence as major institutional investors to carry out the trustees' rights and duties as a responsible shareholder and

[1] Relevant matters including (but not limited to) matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, and has been extended under the Regulations to include capital structure, and management of actual or potential conflicts of interest.

asset owner, in line with the Trustees' expectations and in members' best interests. The Trustees will engage with Abrdn as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme investment strategy the Trustees do not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

10. Arrangements with Investment Managers

Delegated Managers:

The Trustees have appointed AIL and Schroders as their delegated managers, who they consider to be their asset managers. References in this policy to 'underlying asset managers' refers to those asset managers which AIL and Schroders in turn appoint to manage investment on behalf of the Trustees.

The Trustees recognise that the arrangements with their delegated managers, and correspondingly the underlying asset managers, are important to ensure that interests are aligned. In particular, the Trustees seek to ensure that the delegated managers are incentivised to operate in a manner that generates the best long-term results for the Scheme and its beneficiaries.

The Trustees receive quarterly reports and verbal updates from the delegated managers on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives and assess the delegated managers over 3-year periods.

The Trustees also receive annual stewardship reports on the monitoring and engagement activities carried out by their delegated manager, which supports the Trustees in determining the extent to which the Scheme engagement policy has been followed throughout the year.

The Trustees share the policies, as set out in this SIP, with the Scheme delegated managers and request that they review and confirm whether their approach is in alignment with the Trustees' policies.

The Trustees delegate the ongoing monitoring of underlying asset managers to the delegated managers. The delegated managers monitor the Scheme investments to consider the extent to which the investment strategy and decisions of the underlying asset managers are aligned with the investment objectives of the Scheme.

This includes monitoring the extent to which the underlying asset managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

If the Trustees were to consider appointing a new delegated manager, the Trustees would review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees' policies. Where possible, the Trustees will seek to amend that documentation or express their expectations (such as through side letters, in writing, or verbally at trustee meetings) so that there is more alignment.

The Trustees believe that having appropriate governing documentation, setting clear expectations to the delegated manager, and regular monitoring of the delegated manager's performance and investment strategy, is sufficient to incentivise the delegated managers to make decisions that align with the Trustees’ policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where the delegated managers are considered to make decisions that are not in line with the Trustees’ policies, expectations, or the other considerations set out above, the Trustees will typically engage with the delegated managers to understand the circumstances and materiality of the decisions made.

There is typically no set duration for arrangements with the delegated managers, although the continued appointment will be reviewed periodically. Similarly, there are no set durations for arrangements with the underlying asset managers that the delegated managers invest in, although this is regularly reviewed as part of the manager research and portfolio management processes in place.

Abrdn

The Scheme is also invested in the Long Lease Property pooled fund with Abrdn. The Trustees monitor this investment to consider the extent to which the investment strategy and decisions of the manager are aligned with the Trustees' policies, including those on non-financial matters. The Trustees are supported in this monitoring activity by their investment consultant.

Before appointment of any new non-delegated asset manager, the Trustees would review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees’ policies. Where possible, the Trustees will seek to amend that documentation so that there is more alignment.

11. Monitoring Investment Manager Costs

Cost Monitoring

The Trustees are aware of the importance of monitoring their asset managers' total costs and the impact these costs can have on the overall value of the Scheme assets. The Trustees recognise that in addition to annual management charges, there are other costs incurred by asset managers that can increase the overall cost incurred by their investments.

The Trustees receive annual cost transparency reports from their delegated managers as well as Abrdn. These reports present information in line with prevailing regulatory requirements for delegated managers. They clearly set out on an itemised basis:

- The total amount of investment costs incurred by the Scheme;
- The fees paid to the delegated manager;
- The fees paid to the investment managers appointed by the delegated manager;
- The amount of portfolio turnover costs (transaction costs) incurred by the investment managers appointed by the delegated manager;
- The trustees define portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the investment managers appointed by the delegated manager;
- Any charges incurred through the use of pooled funds (custody, administration, and audit fees)
- The impact of costs on the investment return achieved by the Scheme.

The Trustees acknowledge that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager. The delegated manager monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the investment managers appointed on behalf of the Trustees.

The Trustees benefit from the economies of scale provided by the delegated managers in two key cost areas:

- The ability of the delegated managers to negotiate reduced annual management charges with the appointed investment managers;
- The ability of the delegated managers to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the investment managers and achieve efficiencies where possible;

Evaluation of performance and remuneration

The Trustees assess the (net of all costs) performance of their delegated manager on a rolling three-year basis against the Scheme specific liability benchmark and investment objective, as a minimum this is done in line with the Trustees policy on reviewing the suitability of the Scheme investment strategy (i.e. on a 3 year basis following the formal actuarial valuation). The remuneration paid to the delegated managers and fees incurred by third parties appointed by the delegated managers are provided annually by the delegated managers to the Trustees. This cost information is set out alongside the performance of the delegated managers to provide context. The Trustees monitor these costs and performance trends over time.

12. Additional Voluntary Contributions (“AVC”) Arrangements

Some members obtained further benefits by paying AVC’s to the Scheme historically. The liabilities in respect of these AVC’s are equal to the value of the investments bought by the contributions.

From time to time the Trustees review the choice of investments available to members to ensure that they remain appropriate to the members' needs.

Agreed for and on behalf of the Trustees of the CHC Scotia Pension Scheme