CWT UK Pension Scheme (the “Scheme”) – Defined Contribution Section

Statement of Investment Principles (the “Statement”)

Scope of Statement

This Statement, made by the Trustees of the Scheme (the "Trustees") has been prepared in accordance with sections 35 and 36 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 17 July 2024. The Trustees will review this Statement and the Scheme’s investment strategy no later than three years after the effective date of this statement and without delay after any significant change in investment policy.

The Scheme comprises two sections: one providing final salary benefits and the other providing defined contribution benefits. This statement relates only to the defined contribution section (the "DC Section"). The defined contribution section was closed to active members and contributions ceased on 30 January 2004.

Consultations made

The Trustees have consulted with the principal employer, CWT UK Group UK Ltd (the "Employer"), 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. The Trustees 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 (“AIL”) who are authorised and regulated by the Financial Conduct Authority.

The Trustees have decided to implement the DC Section's investment strategy through Aon's Delegated DC Services. Under this approach, the Trustees delegate the selection of the platform provider, available fund range and day to day management of the funds to AIL. The available fund range consists of a number of white-labelled blended funds. The choice of underlying investment managers and structure of each blended fund is delegated to the AIL.

A copy of this Statement has been provided to the appointed investment manager and is available to the members of the Scheme. The Statement is also available online.

Objectives and policy for securing objectives

The Trustees' primary objectives are:

- “asset choice” to ensure members have an appropriate choice of assets for investment; and
- “return objective” to enable members to benefit from investment in “growth” assets until they approach retirement, when they will be able to switch to “matching” assets which are more related to the purchasing cost of their income and cash in retirement.

Choosing investments

The Trustees have put in place a default arrangement, described below, in acknowledgement that some members will be unwilling (or feel unable to) make investment choices and to provide an appropriate balance between return and risk over the lifetime of a typical member. A range of alternative funds is also available to members through AIL, so that members can tailor their investment choices to meet their requirements, if they so wish. The objectives for each of these funds are set out in the Appendix.

Day to day management of the funds including the selection of the underlying investment managers and asset allocation structure is delegated to AIL under Aon's Delegated DC Services. The selection of stocks is delegated to the underlying investment managers used within each fund, as chosen by AIL.

The Trustees take professional advice when formally reviewing the investment managers and funds offered to members. This advice is taken at least every three years. The Trustees reviewed the Default Option and fund options available to members in 2024.

The balance between different kinds of investments

The Trustees recognise that the key source of financial risk (in relation to members meeting their objectives) normally arises from the choice of funds offered to members. The Trustees therefore retain responsibility for the investment fund options made available to the membership and take expert advice as required from their professional advisers.

Three distinct asset allocation strategies are offered to members, which target different benefits at retirement, namely drawdown, annuity purchase and cash. These asset allocation strategies are offered through a target date fund structure, namely the Aon Managed Retirement Pathway Fund series. Details of the three asset allocation strategies are provided in the Appendix. For members who do not wish to make an active decision regarding the investment of their assets, a Default Option has been put in place following consideration of the membership, the risks associated with investment and after taking advice from Aon Investments Limited.

The Default Option that applies is as follows:

- For all members who had not already started de-risking into bonds and cash as at 6 April 2021, the Default Option is the Aon Managed Retirement Pathway Fund series, which assumes members draw down income at retirement.

- For those members who had already started de-risking into bonds and cash as at 6 April 2021, the Default Option is the Aon Managed Retirement Pathway to Annuity Fund series, which assumes members purchase an annuity at retirement.

Each member is allocated to the relevant Retirement Pathway Fund with a target date that most closely matches their notional retirement date. The switching of assets between the different underlying funds used within each asset allocation strategy is carried out within each target date fund.

Each asset allocation strategy aims to provide members with the potential for higher levels of growth during the accumulation of their retirement savings through exposure to growth assets including equities, and then to gradually diversify their investments in the years approaching retirement, to reduce volatility and to provide a broad base of assets from which members can choose the type of benefits they wish to take.

In setting the three asset allocation strategies, the Trustees have reviewed the extent to which the return on investments (after deduction of any charges relation to those investments) is consistent with the objectives of the strategy, which is broadly to provide an appropriate risk/return profile given the needs of members. The Trustees have also considered analysis of the existing membership of the DC Sections, including considerations of factors such as age, contribution rates and term to retirement.

The Trustees review the appropriateness of the three asset allocation strategies, taking into account any significant changes in the demographic profile of the relevant members, and may make changes from time to time. Members will be advised accordingly of any changes.

Whilst the Trustees retain responsibility for choosing the funds made available to members, it is the individual member's responsibility to:

- choose which specific funds they invest in, either by following the Default Option, one of the alternative asset allocation strategies, or by choosing their own investment strategy;

- monitor the performance of their own investments; and

- review the ongoing appropriateness of their chosen funds in light of their own individual circumstances.

Investment risk measurement and management

The key investment risks are recognised as arising from asset allocation. For due diligence purposes, the Trustees formally review the asset allocation strategy on an annual basis. Other risks that the Trustees may take into consideration include: interest rate risk, inflation risk, credit risk, liquidity, counterparty risk, longevity risk, etc. From time to time, the Trustees consider the extent to which it is necessary or appropriate to take risk, having taken advice from their advisers.

Risks associated with changes in the Employer covenant are assessed by monitoring the Failure Score (as defined for the purposes of calculating the risk-based element of the Pension Protection Fund levy). The Trustees also have an agreement with the Employer to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring employers in particular, the Trustees will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator and employer-related Notifiable Events. On receipt of such notification, the Trustees will re-consider the continued appropriateness of the Scheme's existing investment strategy.

The Trustees monitor performance and risk on a quarterly basis via reports from the investment managers. The Trustees have appointed AIL to alert them on any matters of material significance that might affect the ability of the investment manager to achieve their objectives.

The Trustees acknowledge that investment returns achieved outside the expected deviation (positive or negative) maybe an indication that the investment managers are taking a higher level of risk than expected.

For due diligence purposes, the Trustees meet from time to time with AIL.

The Trustees recognise that members bear the investment risk. They take account of this in the selection and monitoring of AIL and the funds available to members.

Custody

Investment in pooled funds gives the Trustees a right to the cash value of the units rather than to the underlying assets. The investment managers of the pooled funds are responsible for the appointment and monitoring of the custodian of the assets. The custodians are independent of the employer.

Expected returns on assets

The neutral estimates from Aon's capital market assumptions of projected 10-year investment returns for the principal asset classes as at 31 December 2023 were: 6.1% pa UK equities, 6.6% pa US equities, 4.2% pa 15-year UK government bonds, 4.2% pa 10-year UK investment grade corporate bonds, 6.5% UK property and 2.3% pa UK consumer price inflation.

Over the long-term the Trustees' expectations are:

- for units representing "growth" assets (UK and overseas equities, property) to achieve a return which keeps pace with the increase in average weekly earnings over the same period. The Trustees consider short-term volatility in equity price behaviour to be acceptable, given the general expectation that over the long term these assets will outperform the other asset classes;
- for the "monetary and index-linked" assets;
    - for units representing index-linked bonds to achieve a rate of return in excess of price inflation, and short-term price behaviour in line with the cost of providing index-linked annuities;
    - for units representing monetary assets (corporate bonds, gilts, cash etc) to achieve a rate of return which is expected to be approximately in line with changes in the cost of providing fixed income annuities or a cash sum at retirement.

Returns achieved by the investment managers are assessed against performance benchmarks set by the Trustees in consultation with their advisers and AIL.

Realisation of investments/liquidity

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise. All of the assets held are realisable at short notice through the sale of units in pooled funds which are daily dealt.

Arrangements with Investment Managers

The Trustees have appointed AIL as their fiduciary manager, who they consider to be their investment manager. References in this policy to 'underlying investment managers' refers to those investment managers which AIL in turn appoints to manage investments on behalf of the Trustees.

The Trustees recognise that the arrangements with AIL, and correspondingly the underlying investment managers, are important to ensure that interests are aligned. In particular, the Trustees seek to ensure that AIL is 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 AIL on various items including the default investment strategy and wider fund range, performance and longer-term positioning of the funds in which the Trustees invest. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme's objectives, and assesses AIL over rolling three and five-year periods.

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

The Trustees share the policies, as set out in this Statement, with AIL and requests that AIL reviews and confirms whether its approach is in alignment with the Trustees' policies.

The Trustees delegate the ongoing monitoring of underlying investment managers to AIL. AIL monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the underlying investment managers are aligned with the investment objectives of each fund used by the Scheme. This includes monitoring the extent to which the underlying investment 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.

Before appointing a new fiduciary manager, the Trustees will review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees' policies. Where required, the Trustees will seek to amend that documentation or will express their expectations by other means (such as through a side letter, 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 AIL, and regular monitoring of AIL's performance and investment strategy, is sufficient to incentivise AIL to make decisions that align with the Trustees' policies and base those decisions on assessments of medium- and long-term financial and non-financial performance.

Where AIL is considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will engage with the fiduciary manager to understand the circumstances and materiality of the decisions made. If AIL does not make decisions which are consistent with the Trustees' policies and AIL is unable to provide a satisfactory explanation, the Trustees ultimately retain the right to terminate the agreement and appoint a new manager.

The Trustees have not set a duration for the arrangements with AIL, although its continued appointment is reviewed periodically, and at least every five years. Similarly, there are no set durations for arrangements with the underlying investment managers that AIL invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place.

Costs and Performance

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

The Trustees collect annual cost transparency reports covering all of their investments and ask that the fiduciary manager provides this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each pooled fund. This allows the Trustees to understand exactly what the Scheme is paying the investment managers. The Trustees work with their investment consultant and fiduciary manager to understand these costs in more detail where required.

The reports will set out the following on an itemised basis:

- The total amount of investment costs incurred by the Scheme;
- The fees paid to the investment managers;
- The amount of portfolio turnover costs (transaction costs) incurred by the investment managers;
  - The Trustees define portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the pooled funds;
- 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 in order to generate investment returns and that the level of these costs varies across asset classes and pooled funds. A high level of transaction costs is acceptable so long as it is consistent with the asset class characteristics, manager's style and historic trends. Where the Trustees' monitoring identifies a lack of consistency, the mandate will be reviewed.

The Trustees are supported in their cost transparency monitoring activity by their investment consultant and transaction costs are reviewed on an annual basis through the Chair's statement.

Environmental, Social and Governance considerations

The Trustees' primary concern when setting the investment strategy is to act in the best financial interests of the beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. The Trustees believe that, in order to fulfil this commitment and to protect and enhance the value of the Scheme's investments, they must act as responsible stewards of the investments.

The Trustees acknowledge that financially material considerations include environmental, social and corporate governance (ESG) factors, such as climate change. Understanding these factors can help identify investment opportunities and financially material risks.

As part of their delegated responsibilities, the Trustees expect the investment managers to include ESG considerations in the selection, retention and realisation of investments. Such decisions should consider, amongst other things, the sustainability of business models and not be influenced by personal, ethical or moral judgments.

The Trustees are taking the following steps to monitor and assess ESG related risks and opportunities:

- The Trustees will undertake periodic training on Responsible Investment to understand how ESG factors, including climate change, may impact on the Scheme's assets and liabilities.
- As part of ongoing monitoring, the Trustees will use information, where available, provided by Aon of their assessment of the investment managers against ESG factors.
- On an annual basis, the Trustees will ask the investment managers to provide their policy on Responsible Investment to include details of how they integrate ESG in their investment decision making process. Should the Trustees look to appoint a new manager, they will request this information as part of the selection process. All responses will be reviewed and monitored.

Stewardship - voting and engagement

The Trustees recognise the importance of their role as a steward of capital, promoting corporate responsibility and ensuring the highest standards of governance. The Trustees recognise that ultimately this will help to protect the financial interests and will create long-term financial value for the beneficiaries of the Scheme.

The Trustees have delegated all voting and engagement activities to the Scheme's underlying investment managers, via their investment manager AIL. The Trustees accept responsibility for how the underlying managers steward assets on their behalf, including the casting of votes in line with each underlying manager's individual voting policy. The Trustees rely on AIL to review manager voting and engagement policies and activities on an annual basis. AIL review these factors to check they are aligned with expectations and can reasonably be considered to be in the Trustees', and therefore the members', best interests.

As part of AIL's management of the Scheme's assets, the Trustees expects AIL to:

- monitor and engage with underlying managers, including prospective underlying managers, on the extent to which they exercise voting rights (where appropriate) in relation to the Scheme's assets; and
- report to the Trustees on stewardship activity by underlying managers as required.

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

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Scheme's assets, 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.

Where voting is concerned, the Trustees expect the underlying managers to recall stock lending, as necessary, in order to carry out voting actions.

The Trustees will engage with AIL, which in turn is able to engage with underlying managers 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 Trustees' active ownership policies, are being actioned. This will take the form of annual reporting and follow up meetings, where necessary, from AIL. Such reporting will be made available to Scheme members on request.

Should the Trustees' monitoring process reveal that an underlying manager's voting and engagement policies and actions are not aligned with the Trustees' expectations, the Trustees will engage with AIL, via different medium such as emails and meetings, to discuss how alignment may be improved to bring about the best long-term outcomes for the Scheme.

Given the Trustees delegate their stewardship activities to AIL, the Trustees have also chosen to adopt AIL's stewardship priorities. Currently AIL's engagement activity focuses on climate risk and decarbonisation.

AIL carries out regular engagement with the appointed underlying managers on this theme to ensure they are appropriately considered as part of ongoing stewardship activity. This theme has been identified as a financially material ESG issue that has the potential to significantly impact the value of the Scheme's investments, and so the Trustees believes it is in members' best interests to consider this risk.

Effective decision making

The Trustees recognise that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. They also recognise that, where they take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.

Members' views and non-financial factors

The Trustees do not explicitly take the views of members and beneficiaries of the Scheme into account in relation to ESG factors or the present and future quality of life of the members and beneficiaries of the Scheme (defined as 'non-financial factors' in the 2018 Regulations). The Trustees will review this policy on an annual basis.

Approved and agreed by the Trustees of the CWT UK Pension Scheme

CWT UK Pension Scheme

Appendix to Statement of Investment Principles

This Appendix sets out the Trustees' current investment strategy and is supplementary to the Trustees' Statement of Investment Principles (the "attached Statement").

The Trustees' investment strategy has been established in order to maximise the likelihood of achieving the primary objectives set out in the attached Statement. The details are laid out below:

1. Asset Allocation Strategy

1.1 Strategy for Defined Contribution Section

The table below provides details of the funds used within the DC Sections' investment strategy and, for each fund option, indicates whether it is available as an asset allocation strategy or a self-select fund option:

Fund	Asset allocation strategy	Self-select
Asset allocation strategies		
Aon Managed Retirement Pathway Funds*	✓	✓
Aon Managed Retirement Pathway to Annuity Funds	✓	✓
Aon Managed Retirements Pathway to Cash Funds	✓	✓
Objective based funds		
Aon Managed Global Equity Fund	✗	✓
Aon Managed Core Diversified Asset Fund	✗	✓
Aon Managed Passive Corporate Bond Fund	✗	✓
Aon Managed Liquidity Fund	✗	✓

**Default Option*

1.2 Default Option and alternative asset allocation strategies

The Default Option that applies is as follows:

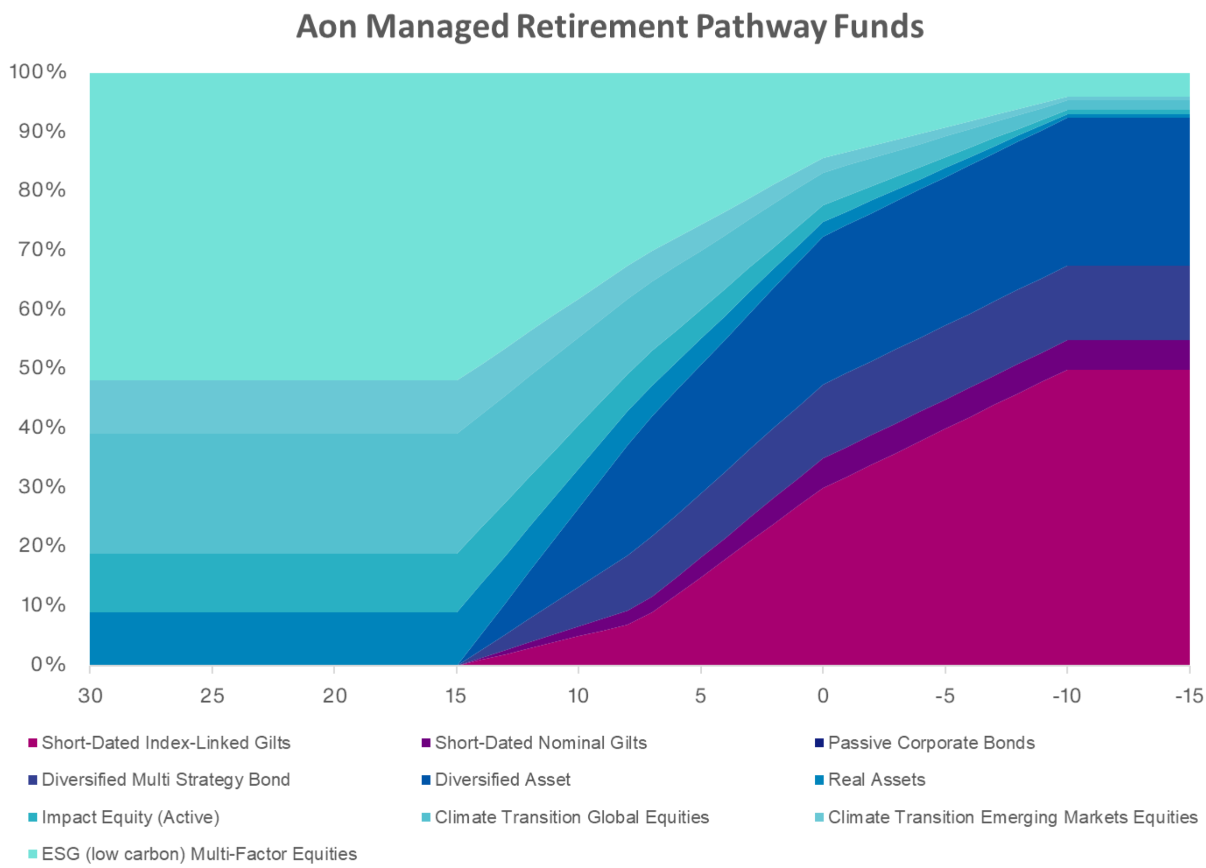
- For all new entrants and those members who had not already started de-risking into bonds and cash as at 6 April 2021, the Default Option is the Aon Managed Retirement Pathway Fund series, which assumes members draw down income at retirement.
- For those members who had already started de-risking into bonds and cash as at 6 April 2021, the Default Option is the Aon Managed Retirement Pathway to Annuity Fund series, which assumes members purchase an annuity at retirement.

The Aon Managed Retirement Pathway Fund series assume members draw down income at retirement. These are a series of target date funds and each member is invested in the relevant

Retirement Pathway Fund with a target date that most closely matches their selected retirement date members. Each Retirement Pathway Fund initially invests wholly in the Aon Managed Initial Growth Phase Fund until 15 years before a member's selected retirement age. During this 'growth' phase, the Retirement Pathway Funds aim to provide real growth (in excess of inflation) over the long term.

From 15 years before a member's selected retirement age, lower risk investments are gradually introduced, including protection and income generating investments. At each Retirement Pathway Fund's target date, members' assets will be invested across a range of asset classes with the aim of providing a real income during the post-retirement phase whilst protecting the value of the investments.

The structure is summarised in the chart below:



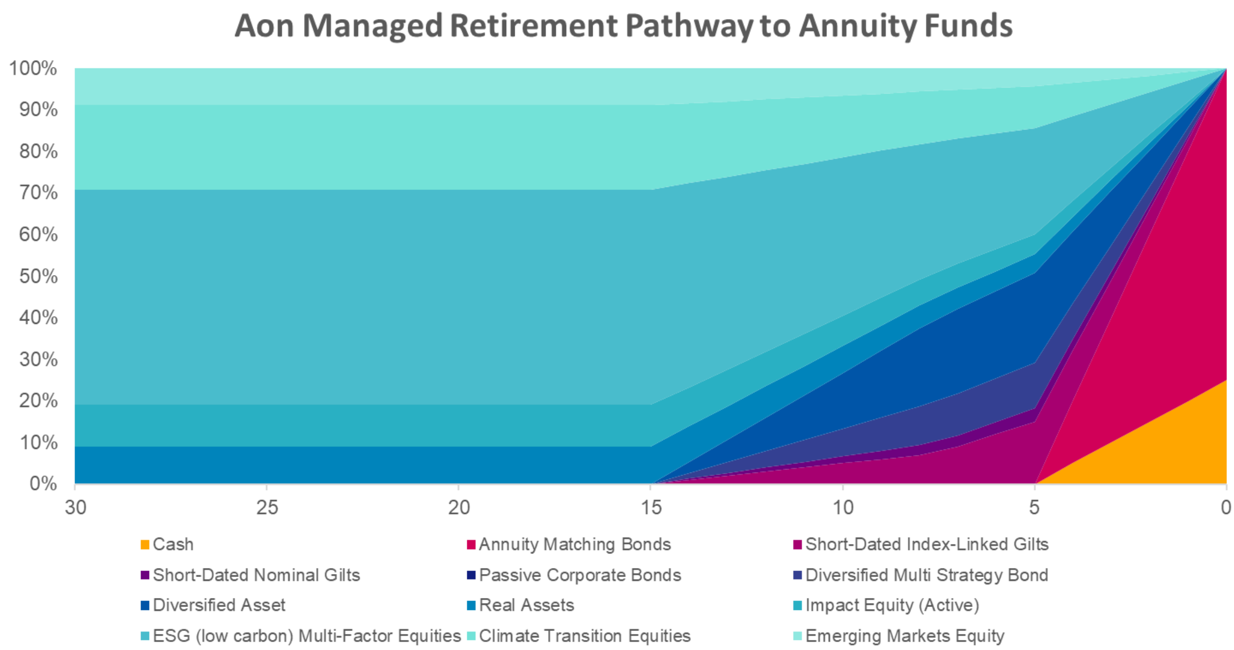
Source: Aon Investments Limited. Data as at 30 June 2024

Two additional asset allocation strategies are available, alongside the Retirement Pathway Funds, which target different benefits at retirement, namely annuity purchase and cash.

The Aon Managed Retirement Pathway to Annuity Fund series works on the principle that a member electing this option will take the maximum tax-free cash sum and use the rest of their account to purchase an annuity at retirement.

Each Retirement Pathway to Annuity Fund follows the same asset allocation strategy as the Retirement Pathway Funds until five years before its target date. At this point, each Retirement Pathway to Annuity Fund is moved into lower risk assets, including annuity matching bonds and cash. At each Fund's target date, members' assets will be invested 75% in annuity matching bonds and 25% in cash, with the aim of protecting the value of the investments relative to movements in annuity prices and cash.

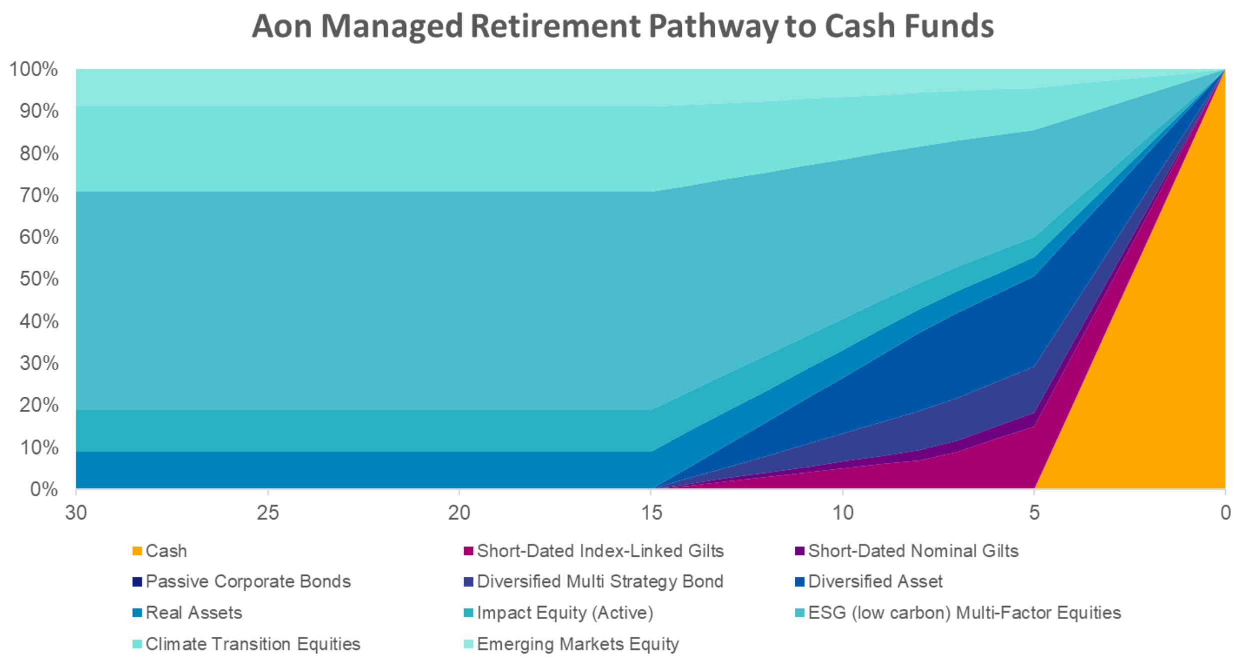
The structure is summarised in the chart below:



The Aon Managed Retirement Pathway to Cash Fund series works on the principle that a member electing this option will take the whole of their account as a cash lump sum at retirement

Each Retirement Pathway to Cash Fund follows the same asset allocation strategy as the Retirement Pathway Funds until five years before its target date. At this point, each Retirement Pathway to Cash Fund is moved into lower risk assets, including cash. At each Fund's target date, members' assets will be invested 100% in cash, with the aim of protecting the value of the investments relative to cash.

The structure is summarised in the chart below:



Source: Aon Investments Limited. Data as at 30 June 2024

2. Investment Management Arrangements

The following describes the mandates given to the investment manager within each asset class.

Fund	Benchmark	Target
Aon Managed Global Equity Fund	MSCI All Country World Index Net Return GBP	To outperform the benchmark
Aon Managed Core Diversified Asset Fund	50% MSCI World Index Net Return GBP 50% iBoxx Sterling Non-Gilts All Stocks Index	To outperform the benchmark over rolling three-year periods
Aon Managed Passive Corporate Bond Fund	iBoxx Sterling Non-Gilts All Stocks Index	To perform in line with the benchmark
Aon Managed Liquidity Fund	SONIA[1]	To perform in line with the benchmark

[1]Benchmark changed from 7-Day LIBID to SONIA with effect from 30 December 2021

2.1 Cash balances

A working balance of cash is held for imminent payment of benefits, expenses, etc. Under normal circumstances, it is not the Trustees' intention to hold a significant cash balance and this is carefully monitored by the Scheme's administrator.

3. Fee structure for investment advisers and investment managers

3.1 Investment advisers

The Trustees' investment advisers are paid for advice received on the basis of the time spent by the adviser. For significant areas of advice (e.g. one off special jobs, or large jobs, such as asset and liability modelling), the Trustees will endeavour to agree a project budget.

These arrangements recognise the bespoke nature of the advice given and that no investment decisions have been delegated to the adviser.

3.2 Investment managers

As at the date of the attached Statement, the Annual Management Charge (AMC), Additional Fund Expenses (AFE) and Total Expense Ratio (TER) that applies to each of the funds used by the DC Sections are set out in the table below. The AFEs are effective as at 31 March 2019. It should be noted that these figures will change from time to time as the underlying managers / structure of each of the funds change. The fee payable to Aon Investments Limited under Aon's Delegated DC Services for the management of the Delegated DC Funds is 0.08% pa; this is included in the AMCs and TERs shown below.

Fund	AMC % pa	AFE % pa	TER % pa
Asset allocation strategies			
Aon Managed Retirement Pathway Funds	0.21	0.02 to 0.04	0.23 to 0.25
Aon Managed Retirement Pathway to Annuity Funds	0.21	0.01 to 0.03	0.22 to 0.24
Aon Managed Retirements Pathway to Cash Funds	0.21	0.03	0.24
Objective based funds			
Aon Managed Global Equity Fund	0.16	0.04	0.20
Aon Managed Core Diversified Asset Fund	0.14	0.01	0.15
Aon Managed Passive Corporate Bond Fund	0.13	0.01	0.14
Aon Managed Liquidity Fund	0.23	0.03	0.26