

CWT UK Pension Scheme (the “Scheme”) – Final Salary 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 9 July 2025. 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 final salary section. The final salary section has been closed to active members and future accrual ceased on 30 September 2009.

Consultations made

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

The day-to-day management of the Scheme's assets has been delegated to Aon Investments Limited, who are authorised and regulated by the Financial Conduct Authority.

AIL manage the Scheme's assets in a range of funds which can include multi-asset, multi-manager and specialist third party liability matching funds. AIL conduct the necessary day to day management of the assets in order to meet the Trustees' objectives.

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:

- “funding objective” - to ensure that the Scheme is fully funded using assumptions that contain a margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the Employer;
- “stability objective” – to have due regard to the likely level and volatility of required contributions when setting the Scheme’s investment strategy; and
- “security objective” – to ensure that the solvency position of the Scheme is expected to improve. The Trustees will take into account the strength of Employer’s covenant when determining the expected improvement in the solvency position of the Scheme.

Choosing investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cashflow requirements, the funding level of the Scheme and the Trustees’ objectives.

The assets of the Scheme are invested in the best interests of the members and beneficiaries.

The Trustees exercise their powers of investment (or delegation where these powers have been delegated to an investment manager) 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. In particular, the Trustees have delegated their powers to AIL and they expect AIL to exercise those powers in a manner calculated to ensure the security of the Scheme's assets and consistent with the Trustees' policies as provided to AIL from time to time.

Assets held to cover the Scheme's technical provisions (the liabilities of the Scheme) are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

The assets of the Scheme are invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Investment in derivatives is only made in so far as derivatives contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed so as to avoid excessive risk exposure to a single counterparty or other derivative operations.

The balance between different kinds of investments

The Trustees recognise that the key source of financial risk (in relation to meeting their objectives) arises from asset allocation. The Trustees acknowledge that they are ultimately responsible for investment strategy and asset allocation. They therefore retain responsibility for setting the investment objectives given to the investment manager and take expert advice as required from their professional advisers.

The Trustees review their investment strategy following each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). The Trustees take written advice from their professional advisers regarding an appropriate investment strategy for the Scheme.

The investment objectives set out in the Appendix were implemented after considering the advice from the Trustees' advisers. A full range of available asset classes are considered. This includes "alternative" asset classes (namely property, private equity and hedge funds). The assets are invested in pooled funds, which offer diversified exposure to a wide range of alternative asset classes.

The Trustees delegate responsibility for managing the underlying asset allocation to AIL. This allows the asset allocation to be adjusted quickly, where needed, to best meet the investment objectives.

Investment risk measurement and management

The key investment risks are recognised as arising from asset allocation. These are assessed triennially in conjunction with the actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way), following which the Trustees take advice on the continued appropriateness of the existing investment strategy.

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 Aon Investments Limited to alert them on any matters of material significance that might affect the ability of the investment managers of the final salary section 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 the investment managers.

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 median investment returns for the principal asset classes as at 31 March 2025 were: 6.1% pa UK equities, 6.9% pa US equities, 6.0% pa 15-year UK government bonds, 5.4% pa 10-year UK AA investment grade corporate bonds, 6.4% UK property and 2.2% pa UK consumer price inflation.

Over the long-term the Trustees' expectations are:

- for the "growth" assets to achieve a return which at least keeps pace with the increase in average weekly earnings over the same period. The Trustees are willing to incur short-term volatility in asset price behaviour with the expectation that over the long term the growth assets will outperform asset classes, which may be regarded as matching the liabilities.
- for the "matching" assets to be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

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

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.

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 the underlying investment managers, are important to ensure that interests are aligned. 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 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 their objectives and assess AIL over rolling three-year periods.

The Trustees receive stewardship reports each calendar year 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. AIL engage with all of the underlying investment managers who are responsible for voting and engagement with the underlying investee companies.

The Trustees share the policies, as set out in this Statement, with the fiduciary manager and ask the fiduciary manager to review and confirm whether their approach is in alignment with the Trustees' policies.

The Trustees delegate the ongoing monitoring of underlying investment managers to AIL, who are responsible for monitoring the Scheme's investments and considering the extent to which the investment strategy and decisions of the underlying investment managers are aligned with the investment objectives of 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 appointment of a new fiduciary manager, the Trustees will review the governing documentation associated with the investment and will consider the extent to which this 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) to improve alignment.

The Trustees believe that having appropriate governing documentation, setting out clear expectations to AIL and carrying out regular monitoring of the performance of the investment strategy will be sufficient to incentivise AIL to make decisions that align with the Trustees' policies and which will be based 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 typically 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.

There is typically no set duration for arrangements with the fiduciary manager, although the continued appointment will be reviewed periodically. Similarly, there are no set durations for arrangements with the underlying investment managers that the fiduciary manager 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 investment managers that can increase the overall cost incurred by their investments.

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

- The total amount of investment costs incurred by the Scheme;
- The fees paid to the fiduciary manager;
- The fees paid to the investment managers appointed by the fiduciary manager;
- The amount of portfolio turnover costs (transaction costs) incurred by the investment managers appointed by the fiduciary 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 fiduciary 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 in order to generate investment returns and that the level of these costs varies across asset classes and managers. The fiduciary 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 fiduciary manager in two key cost areas:

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

The Trustees assess the net performance of their fiduciary manager on a rolling three-year basis against the Scheme's specific liability benchmark and investment objective. The remuneration paid to the fiduciary manager and fees incurred by third parties appointed by the fiduciary manager are provided annually by the fiduciary manager to the Trustees. This cost information is set out alongside

the performance of the fiduciary manager to provide context. The Trustees monitor these costs and performance trends over time.

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.

Additional Voluntary Contributions (“AVCs”) arrangements

Some members obtain further benefits by paying AVCs to the Scheme. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions. Details of AVC providers and fund options are included in the Appendix to this Statement.

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

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

The Trustees have provided a Liability Benchmark to AIL, setting out a proxy for the Scheme's expected cash flows and instructed AIL to hedge 130% of the interest rate and inflation risk inherent in the Liability Benchmark, scaled to the market value of the portfolio. The Trustees' objective is to outperform the Liability Benchmark by 1.0% pa, over rolling three-year periods.

The Trustees monitor the Scheme's funding level and, should the funding level improve significantly, the Trustees will consider taking action to de-risk the investment strategy.

In order to achieve the investment objective, AIL have invested in funds to hedge the Liability Benchmark (the "Hedging Component") and to deliver outperformance relative to the Liability Benchmark (the "Growth Component").

Definitions of the different Growth Component asset categories / strategies are set out below. There is some overlap between the assets included within the various options. Cash may be held as part of the portfolio and in the strategies described.

- **Equity strategies** invest predominantly in investments on listed equity markets, including but not limited to listed alternatives such as REITs (real-estate investment trusts) and listed infrastructure. Private equity is excluded.
- **Active Credit** invests in debt related investments that may include, but are not limited to, government bonds, corporate bonds, bank loans, convertibles, mortgages, asset-backed securities, structured notes, hybrid securities, absolute return bond strategies, total return bond strategies, emerging market debt, multi-asset credit and derivatives. These securities and instruments may be investment grade, sub-investment grade, or not rated; and may be issued in developed or emerging markets.
- **Liquid Alternatives** refers to any liquid asset category that is used to diversify a portfolio away from traditional asset classes such as equities.
- **Medium Term Asset Allocation Opportunities** may invest across a range of asset categories. As such, the other asset category restrictions in the table above do not apply to this strategy. Within Medium Term Asset Allocation Opportunities, AIL will maintain daily liquidity.

Investments made for the portfolio may use derivatives in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management.

2. Investment Management Arrangements

The Trustees have appointed Aon Investments Limited ("AIL"). Assets are invested in pooled funds at AIL.

2.3 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

For passive mandates, or mandates where the manager is seeking to add incremental value in excess of the performance benchmark, the investment manager is remunerated as a set percentage of the assets under management. This is in keeping with market practice.

3.3 Summary of investment management fee arrangements

AIL is paid a fee based on the assets under management. This fee is outlined within the AIL Investment Management Agreement.

4. Additional Voluntary Contributions

The Trustees have made available a range of investment options with the following investment managers, all of which are now closed to further contributions:

- Aviva
- Phoenix Life
- Prudential Assurance Company Limited
- Unit-linked holdings with Utmost Life & Pensions