



AETC

Pension Scheme

Statement of Investment Principles

Revised and Adopted December 2023

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Section 1:

Introduction

The **Statement of Investment Principles** (the "Statement") sets out the principles, beliefs, and policies adopted by the AETC Pension Scheme Trustees (the "Trustees") in investing the assets of the **AETC Pension Scheme** (the "Scheme"), taking into account the requirements of the Pensions Act 1995 ("the Pensions Act"), the Occupational Pension Schemes (Investment) Regulations 2005, and other relevant legislation and regulatory guidance.

The Statement is available to members via the public website of AETC Ltd. (the "Company") and upon request to the Trustees. It will be reviewed at least annually or as part of any significant change in investment policy.

The funding objective is to have sufficient funds to pay benefits to the eligible members of the Scheme as they fall due, and the Trustees aim to achieve and maintain the required level of funding by adopting a suitable and risk-controlled investment strategy. The Trustees will ensure that any investment strategy is designed to help meet these liabilities whilst also looking over the long term to further improve the Scheme's funding position. Such an improvement will serve to enhance the security of members' benefits and the sustainability of the Scheme.

The Trustees will take into account the future contributions due to the Scheme and the ability and willingness of the Company to support or increase these contributions when setting their investment objectives. The Trustees will look to manage the risk inherent in achieving their investment objectives, both directly and through the appointment of their chosen investment managers (the "Investment Manager" or "Investment Managers").

It is intended that this Statement be sufficiently specific to be meaningful but adequately flexible as to be practical. The intention is not to outline detailed guidelines for the Scheme's investment managers but rather to state the general philosophy, risk appetite, and policies of the Trustees that will shape the governance of the Scheme as a whole.

Section 2:

Governance

The Scheme is governed by its Trust Deed and Rules, which details the benefits and specify the Trustees' investment powers. The Scheme's assets are invested in the best interest of the Trust's members and beneficiaries. The Trustees have consulted with the Company, their Investment Consultant, and the Scheme Actuary in preparing and revising this statement. The Trustees will meet regularly to review the status of Scheme Assets and to receive updates on current issues. Trustee meetings shall be conducted in a manner that fosters effective decision-making. The Trustees shall utilise written and online materials and in-person training to educate themselves on managing external advisors, making effective decisions, and pension legal principles, including conflicts of interest.

Identification of Investment Responsibilities

Trustees

The Trustees have fiduciary responsibility for selecting and monitoring Scheme investments. Their specific responsibilities include:

- (a) Identifying the Scheme's risk tolerance level and formulating an appropriate and efficient investment policy that best serves the interests of the members;

- (b) Delegating the management of Scheme investments to investment managers. The Trustees recognise that their role is supervisory – not investment advisory;
- (c) Monitoring and evaluating performance results to ensure that all guidelines are being adhered to and objectives are being met;
- (d) Making any necessary changes in the investments, investment managers, consultants, and others that provide services to the Scheme relating to the investment of assets; and,
- (e) Regularly reviewing this Statement, which they may amend or restate at any time at their discretion and in consultation with the Company.

Company

The Company contributes to the Scheme but is generally not responsible for Scheme investments. However, the Trustees recognise that the Company's continued financial support for the Scheme is of utmost importance in serving the best interests of members. Therefore, the principles outlined in this Statement are not shaped by the objectives of the Trustees in isolation but also by an understanding of the objectives (financial or otherwise) of the Company.

Investment Consultant

The Trustees have appointed Vantage Consulting Group, Inc. as their Investment Consultant (the "Consultant" or "Vantage"), whose role is to advise on overall investment strategy and manager arrangements upon Trustee approval. Vantage is a pension consultant who has been registered with the U.S. Securities and Exchange Commission as a registered investment adviser since 1985. The Trustees rely on Vantage regarding the management of the Scheme's investments and believe Vantage has the appropriate knowledge and experience to ensure the Scheme's investments are managed prudently and in compliance with the provisions of this Statement.

Within its remit, Vantage's services will include, without limitation:

- (a) Providing strategic investment review, taking into account the liability profile of the Scheme and funding position, leading to recommendations on strategic asset allocation and investment management structure for the Scheme;
- (b) Advising the Trustees on investment strategy and risk management related to forming and maintaining a current Statement of Investment Principles;
- (c) Advising Trustees with respect to the selection and review of investment managers and/or investment funds;
- (d) Providing performance monitoring of investment managers and/or investment funds, including monthly investment reports; and,
- (e) Advising the Trustees on selecting appropriate benchmarks, taking into account the asset allocation of the Scheme and the Trustees' objectives.

The Investment Consultant's objective is to enable the Scheme to meet its obligations to members as they fall due. This objective will be met through a comprehensive investment solution that addresses interest rate and inflation risk relative to the Scheme's liabilities while providing additional expected returns to improve the Scheme's funding to a level consistent with a risk transfer to an insurance provider. The investment solution will be implemented with a combination of matching assets and return-seeking investments to manage funded status volatility and total investment return and risk. Matching assets will be selected to provide a high correlation to the pension liability. Return-seeking assets will be selected from a diverse set of investments to form a well-diversified portfolio of investment strategies expected to provide growth in excess of the liability discount rate with low overall volatility.

The Investment Consultant will be evaluated regularly by the Trustees with respect to the services provided, including availability, achieving timelines, effective communication, appropriateness of advice, innovation, accuracy of reporting, professionalism, coordination of other service providers, value for money, and relationship

with the Trustees. The Trustees recognise that pension investing is a long-term objective and results for investment managers, and the total portfolio should be considered over a market cycle. The Trustees will consider the absolute level of return, surplus risk, and the risk-adjusted results of the pension portfolio over rolling periods of one to five years. The level of return-seeking portfolio diversification will also be evaluated regularly by looking at the co-variance of the investment strategies and the sensitivity of that portion of the portfolio to market risk. As directed by the Trustees, the Investment Consultant will provide risk management solutions for addressing other risks,

Custodians and Fund Administrators

The underlying assets of the Scheme are held in safekeeping by custodians under contract by each Investment Manager, whether the structure is a separately managed account or pooled/commingled fund investment. Managers of investments in private assets may not employ a custodian in the traditional sense, as investments of the funds are made directly into and held by the underlying companies. However, private funds have an administrator and a bank that deal with investor capital commitments and payment, call downs, distributions, etc. Where applicable, the Trustees will receive account statements from custodians/administrators at least semi-annually.

The Trustees rely on the fund administrators and custodians to provide fair value pricing of Scheme Assets based on quoted market prices from a recognised exchange, secondary market transactions, or a reputable independent valuation firm. In the case of investments in collective vehicles (funds), the administrator for each fund determines the Net Asset Value (NAV) at the end of each month or quarter. Where NAVs are struck quarterly or delayed, the price of the investment will be adjusted in the open accounting period at the time the new NAV was issued. There may be cases where private securities are held 'at cost' until an independent valuation is received or a pricing event has occurred.

Trustees' Policies Regarding Investment Managers

One or more Investment Managers will be appointed to invest Scheme Assets on behalf of the Trustees. A written agreement between the Investment Manager and the Scheme governs each segregated account investment arrangement. The Investment Managers shall observe the specific guidelines, restrictions, and policies expressed in any written agreement with the Trustees. Subject to such guidelines and restrictions, the Investment Managers will be responsible for making all investment decisions on a discretionary basis and the day-to-day management of the investment, including, without limitation, securing the best execution, controlling costs, providing fair valuation, managing investment realisations, and safeguarding Scheme Assets. Investment Managers will be evaluated on their ability to achieve the performance objectives set for them by the Trustees. In the case of commingled or pooled investments, the Scheme Assets will be invested in accordance with the investment prospectus or similar fund documents.

- **How Investment Managers are incentivised to align their strategy with Trustee policies:** Economic incentives in the form of asset-based and performance-based compensation serve to focus managers on growing the assets under their mandate. The ability of the Trustees to terminate contracts on short notice and "vote with their feet" is another primary factor in the managers' respecting the client's objectives and policies, including environmental, social, and governance ("ESG") considerations where appropriate. As described later in this Statement, the Trustees shall ensure Investment Manager mandates align with Trustee policies regarding expected returns and acceptable levels of risk and will monitor managers regularly to ensure strategic alignment. For more, see Section 5: Review and Evaluation of Arrangements.
- **How Investment Managers are incentivised to engage and take into account financial and non-financial matters over the medium to long term:** The Trustees delegate investment discretion to Investment Managers with the expectation that the Investment Manager takes into account material financial and non-financial considerations relevant to the investments in their portfolio, including ESG

considerations which may have a long-term impact on the returns of such investments and therefore the Scheme. The Trustees recognise that short-term performance can be volatile and not reflective of fundamentals, so they generally make management retention decisions based on performance over a full market cycle to retain managers with a medium-to-long-term investment discipline. The Trustees have chosen not to prioritise non-financial matters when setting their policy objectives and evaluating investment managers.

Trustees' Policy Regarding ESG Considerations

As noted above, the Trustees expect Investment Managers to account for financially material ESG considerations in selecting, retaining, and realising those investments over the medium to long-term. Environmental considerations may include, but are not limited to, energy consumption, pollution, climate change, waste production, natural resource preservation, and animal welfare. Social considerations may include, but are not limited to, human rights, child and forced labour, community engagement, health and safety, stakeholder relations, and employee relations. Governance considerations may include, but are not limited to, quality of director independence, conflicts of interest, executive compensation, transparency and disclosure, and shareholder rights.

The Trustees may also engage Investment Managers where ESG considerations are not directly relevant, either as a function of the short-term nature of the underlying trading strategy, for example, algorithmic, technical, arbitrage, or hedging strategies, or the nature of the financial assets the Manager trades.

The Trustees will request and review the Investment Manager's ESG policy as part of evaluating how the Investment Manager considers the medium to long-term impact that financially material ESG factors may have on the returns of the investments.

Trustees' Policy Regarding Stewardship (Voting and Shareholder Engagement)

The Trustees believe the Investment Managers are best suited to engage directly with investee companies regarding their performance, strategy, capital structure, management of actual or potential conflicts of interest, and other risks. The Trustees also expect their appointed Investment Managers to vote proxies on behalf of the Scheme and to exercise any voting rights held in such ways as to enhance the value of their investments and to otherwise engage with the management of companies to improve shareholder value (bearing in mind the costs of doing so and ESG considerations, where applicable). The Trustees shall request a proxy voting report from the Investment Manager for both pooled funds and separately managed accounts where equities and corporate bonds are held directly by the Scheme.

In instances where the Trustees are obligated to act directly concerning an investment, with the assistance of their Investment Consultant, they will exercise any voting rights in such ways as to enhance the value of the Scheme's investment held (bearing in mind the costs of doing so and ESG considerations, where applicable). The Trustees may engage directly with management, obtain management and Board of Directors materials, engage with auditors, or take other actions as they deem necessary to ensure appropriate management oversight to protect Scheme Assets.

Trustees' Policy Regarding Member Considerations and Non-Financial Matters

The Trustees' investment objectives are designed to secure the financial benefits owed to members, and the Trustees have chosen not to consider the views of Scheme members and beneficiaries in relation to non-financial matters.

Section 3:

Investment Strategy

The Trustees, in consultation with the Investment Consultant and the Company, have adopted a liability-driven investment (LDI) strategy. LDI strategies seek to invest in a manner that offsets changes to a pension's liability arising from movements in interest rates and inflation. The overarching goal of an LDI approach is to better control the volatility of a pension's funded status, thereby providing a higher degree of security to member benefits. In an LDI framework, 'risk' is defined by the degree to which the investment portfolio differs from the liability. A pension scheme de-risks by improving the match between its assets and liabilities, often by selling growth assets in favor of matching assets. An overfunded scheme would typically prioritise a very close asset-liability match with only a minimal allocation to growth assets¹. In contrast, an underfunded scheme may have a greater desire to generate improvements in funded status through investment returns and, therefore, maintains a larger allocation to growth assets if the employer covenant supports such risk. This naturally leads to a strategic asset allocation approach modulated by funding level improvements.

Strategic Asset Allocation

The strategic asset allocation of the Scheme will be comprised of a portfolio constructed from matching and return-seeking assets¹. Investments in matching assets are reflected in fixed income and include UK government nominal and inflation-linked bonds, high-quality corporate bonds, and interest rate and inflation derivatives, including, but not limited to, gilt futures, interest rate swaps, swaptions, inflation swaps, and real return swaps. Return-seeking investments will be drawn from asset classes, including global stocks, high-yield corporate bonds, and liquid commingled funds investing in a range of arbitrage and trading strategies, generally allocated as per the below table. The Trustee's preference is to target a minimum hedge of interest rate and inflation risk of [80%].

Funded Status (Gilts + 0.5% basis)	95%		100%		105+%	
Asset classes	Strategic Asset Allocation Ranges					
Matching Assets	60%	75%	70%	80%	80%	90%
Growth or Return-Seeking Assets	25%	40%	20%	30%	10%	20%

In assessing the level of risk of an overall LDI strategy, funded status volatility (surplus volatility) is an ideal risk measure. Surplus volatility measures the level of movement in a pension's funding status arising from the differences between its investment portfolio and the financial characteristics of its liability. The Trustees have elected to consider surplus volatility a vital risk measure in the overall LDI approach.

High-quality fixed-income securities from highly rated government and corporate issuers are the primary allocation in the matching asset portfolio. These securities can offer a stable return and security of principal but little to no growth potential. Combining government bonds linked to inflation and derivatives thereon, can provide an interest rate, inflation, and maturity profile highly similar to the pension liability, which can considerably reduce the risk to funded status by changes in market rates of interest and inflation. Fixed-interest bonds typically perform well during stable or falling inflation but are vulnerable to rising inflation, while index-linked government bonds and swaps offer returns that float with inflation. Historically, government bonds are a

¹ Growth assets and return-seeking assets are often used interchangeably in the literature. This document makes a distinction between growth assets, which exhibit a correlation to economic growth and to the direction of capital markets, and return-seeking assets, which attempt to generate excess return without a high degree of reliance on, or correlation to, economic and capital market conditions.

strong diversifier for an equity portfolio in addition to providing a pattern of returns that is very similar to the behavior of the pension liability.

For the portfolio of matching assets, the Trustees consider the tracking error of the matching assets to the liabilities. They will also review and monitor the amount of the liability's interest rate and inflation sensitivity offset by matching assets - referred to as a hedge target or hedge level – and the maturity profile between assets and liabilities.

Investments in shares of public companies provide the potential for high returns but also entail a high variability of return. Over the long run, equities have historically delivered returns above fixed income and provided exposure to growth as well as some inflation protection. The historical record also demonstrates periods as long as twenty years when bonds have outperformed stocks.

Alternatives include investments in differentiated assets and strategies that seek to generate returns independent of equity and bond markets and offer a third important source of asset return. The risk and return profile of these alternative strategies can vary widely. Still, alternatives are expected to generate a return and risk profile somewhere between equities and fixed income as a group. Including these strategies in a portfolio of equities can markedly improve the risk and return profile of the entire investment portfolio.

While the matching assets seek to deliver results that mimic the liability, the risk-seeking asset allocation attempts to balance the risk and return potential of equity, high-yield fixed income, and alternative assets to deliver excess return at a relatively lower level of risk compared to equity markets. Diversification's important risk-dampening effect is strongest among asset classes with disparate risk factors that do not move up and down together.

To the degree feasible for a given allocation to return-seeking assets, the investment objective will be absolute return in nature. The absolute return approach seeks returns with lower overall volatility compared to approaches that rely predominately on equity and credit beta as the driver of returns by employing a range of low-correlation investment strategies. This lower volatility approach to return-seeking assets is well suited to an LDI approach as it should help improve surplus volatility for any given asset allocation.

In addition, a well-diversified absolute return portfolio's better return/risk profile can allow for a larger allocation to return-seeking assets without increasing surplus volatility, especially when combined with some conservative leverage in the matching asset portfolio.

The Trustees recognise that even though the Scheme's investments are subject to short-term volatility, a long-term investment focus must be maintained. The Trustees intend to avoid ad-hoc revisions to their philosophy and policies in reaction to speculation or short-term market fluctuations.

Funding Position and Liabilities

The Scheme actuary determines the Scheme's funding position on a solvency and technical provisions basis. The Solvency Basis estimates the cost of buying annuities from an insurance company to meet the Scheme's benefit obligations. The Technical Provisions Basis assumes the Scheme is a going concern and estimates the liability using discount rates based on the Bank of England government bond yield curve plus a premium based on the expectation that the Pension's investments will outperform gilts over the longer term. These discount rates form a key benchmark by which the strategy's overall performance is judged. The trustees have chosen to utilise a discount rate of gilts +0.50% as the low dependency measure of funded status. The interest rate hedge ratio and selection of matching assets are evaluated against the liability on this basis.

Liability Hedging Programme and Integrated Risk Management

As part of the LDI approach, the Trustees have implemented a hedging programme to reduce the risk to the Scheme's funding position from volatility in both interest rates and inflation. Hedging is a technique designed to

mitigate risk by taking an offsetting position to an existing exposure or risk factor. In this case, the strategy invests in a manner that reduces the risk to the Scheme's funded status from the inherently different interest rate sensitivity of the assets and liabilities. The hedging programme shall utilise cash bonds, cash LDI pooled funds, levered LDI pooled funds, derivatives, and/or leveraged investments in a capital-efficient manner, allowing for a modest proportion of assets to remain invested in return-seeking investments while considering liquidity needs to meet benefit payments over the near- and medium-term.

The Trustees also consider the Scheme's funded status, level of interest rates and inflation, the covenant of the Company, duration of scheme liabilities, and overall Value-at-Risk (VaR) of scheme assets and liabilities when determining an appropriate hedging strategy. This integrated risk approach is designed to ensure the investment of scheme assets is not determined in isolation but takes into account multiple factors that influence the Scheme's funded status and, therefore, long-term security of Scheme benefits.

Investment Restrictions and Guidelines

The Trustees will not provide loans to the Company or any associated company, nor will they invest in the Company or any associated company (unless indirectly by way of the investments of pooled investment funds over which they have no direct influence and where the holdings have been acquired for purely investment reasons). Money managers are restricted from investing the Scheme's assets in Real Estate Investments.

Investment Manager Selection and Monitoring

It is important to note that while the Trustees work with the Consultant to make strategic decisions about which Investment Managers to select and how much to invest, the day-to-day investing and management of the assets are up to the Investment Managers, subject to the terms of their stated and agreed investment strategy.

The Trustees will fully delegate the management of the assets to authorised and appropriately experienced Investment Managers. As part of appointing and replacing managers to particular mandates, the Trustees will have regard, amongst other things, for the managers' past performance, exhibited levels of competency, soundness of investment philosophy, and robustness of investment processes. Managers will be appointed and replaced in conjunction with recommendations from the Consultant.

The Consultant sets a specific benchmark and performance objective for the Investment Manager. The Consultant monitors the Investment Managers' performance and risks each month, and material or unexpected deviations may result in a formal review. Portfolio turnover at the manager level is considered as part of a manager's overall net return delivered on those assets, with higher-turnover strategies, therefore requiring a higher gross investment return to achieve targeted net long-term returns. Turnover is controlled at the portfolio level by taking longer-term investment horizons and using suitably broad asset allocation ranges to avoid unnecessary trading. Costs, including out-of-market risk, are managed by close coordination between the asset managers and the Consultant.

The Trustees acknowledge that the absolute return approach utilised for the Scheme's return-seeking assets is not designed to track a market benchmark and may not always be easy to evaluate through comparisons to traditional benchmarks. The portfolio's risk-adjusted returns are an essential metric for measuring the success of the return-seeking investment programme in addition to the absolute levels of investment return and volatility.

Rebalancing Policy and Cash Flow

The Scheme Assets will be rebalanced regularly, considering the need to minimise both transaction costs and risks associated with deviation from the target asset allocation. Tolerance ranges for departure from the strategic asset allocation have been set by the Trustees to allow flexibility. The Trustees view these ranges not as absolute but as trigger points for discussion and potential action, as warranted by the prevailing facts and circumstances. When an allocation reaches its upper or lower band, the Investment Consultant shall recommend an investment change to effectively rebalance the portfolio or recommend the Trustees defer immediate action while monitoring the

allocation. Reasons for delaying action may include but are not limited to market conditions, pending cash flows, a pending liquidity event, or other near-term catalysts in the investment portfolio or other relevant new information.

The Trustees will also consider the potential need to disinvest funds to pay benefits and expenses and ensure that the Consultant and Investment Managers are aware of this. The Trustees and the Consultant will consider both the near and medium-term liquidity requirements of the Scheme in allocating scheme assets to liquid or illiquid strategies (as well as the expected volatility of such investments).

Section 4:

Risk Management

The Trustees will assess and consider the following risks on an ongoing basis:

"Asset/liability mismatch" - arises from investing in assets that do not match Scheme Liabilities. This risk is managed by investing a portion of the portfolio in high-quality bonds and through the derivative-based interest rate hedging programme. Inflation is also an important consideration. This risk can be quantified by calculating the Scheme's Surplus Volatility.

"Surplus Volatility" is a risk measure defined as the funding position volatility derived from the performance difference of the Scheme's assets and liabilities. A low surplus volatility reflects low asset/liability mismatch.

"Company covenant risk" – arises from the inability of the Company to meet its legal and financial obligations to support the Scheme. This risk is mitigated by receiving regular financial and operations updates from the Company to help assess the ability of the Company to meet its obligations. This risk is interrelated with both the investment strategy and funding approach.

"Strategic investment risk"– arises from the failure of the selected long-term investment strategy to deliver the expected return or risk characteristics necessary to meet the Trustees' long-term objectives. Regular monitoring manages this risk by setting appropriate risk measures and limits.

"Counterparty risk" - arises when a counterparty to a financial contract fails to perform, most likely through default. The Trustees control this risk by limiting trading in over-the-counter securities and minimizing overall counterparty exposure at the Scheme level. Investment management agreements similarly contain provisions to limit counterparty risk.

"Liquidity risk" – is the risk of exhausting liquid assets and, therefore, being unable to meet immediate liabilities. Sufficient liquidity is maintained such that the probability of this risk occurring is very low. The Trustees and their advisers monitor the level of liquidity against limits.

"Currency risk" – is the risk of market loss due to movements in foreign exchange rates. Additionally, some Investment Managers take specific currency positions inherent to their investment strategy or to improve risk-adjusted returns. This risk will be monitored and considered as part of the Investment Manager's role in the portfolio and the ongoing hedging programme.

"Longevity risk" – is the risk that members of the Scheme live longer than expected, leading to greater benefit payments being made from the Scheme. The Trustees and their advisers will monitor the Scheme's own mortality experience, mortality trends, and the likely outlook for future experience.

"Investment operational risk" – is the risk of loss resulting from inadequate or failed internal processes, people or systems, and external events. This includes risk arising from the custody or transfer of assets. The Trustees manage these risks by ensuring Investment Managers have robust processes and procedures, utilise qualified professional service providers (such as fund administrators and custodians), and are operated by trained individuals.

"Fund manager risk" – is the risk that a fund manager makes excessive or persistent losses or does not perform in a way consistent with its return target. This risk is mitigated through a robust manager selection and monitoring process and manager diversification. The Trustees monitor fund manager risk through the ongoing manager review process.

"Valuation risk" – is the risk that assets are misvalued, in turn resulting in inappropriate investment decisions or inferences – for example, a misallocation of assets or the misstatement of the funding level. The risk is mitigated through a valuation policy for each investment that defines the pricing principles, controls, and sensitivities, together with monitoring processes for them.

"Volatility/drawdown risk" - is the risk that a highly variable return pattern makes it difficult to manage the funding status and contribution requirements of the Scheme. High volatility also subjects the Scheme's assets to significant losses that can be difficult to recover from or require the Scheme to make sub-optimal asset allocation decisions. This risk is addressed by pursuing a more risk-averse investment approach that seeks to control asset volatility at the portfolio level through diversification. The volatility of fund managers and the portfolio is monitored against pre-defined expectations and quantitative tools such as Monte Carlo simulation, Value-at-Risk (VaR), and scenario analysis.

"Inadequate diversification risk" – is the risk that investment positions could contain a concentrated exposure to one or more systemic or idiosyncratic risks that could result in large losses. This risk is managed by allocating Scheme Assets across an array of investment strategies and asset classes and through regular investment portfolio monitoring.

Monitoring these risks does not make the investment policy free of risk but endeavors to balance the need for risk control with the requirement to have assets that are likely to achieve the required performance target.

Section 5:

Review and Evaluation of Arrangements

Reporting and Communications

Investment Managers will be expected to:

- Provide asset statements detailing the value of the investment at a frequency agreed upon within investment documents;
- Communicate in writing any major changes in investment strategy;
- Communicate in writing any significant changes (i.e., personnel, ownership, philosophy) in the Manager's firm;
- Meet upon request;
- Provide on an annual basis an analysis of the composition of the portfolio, including available and public information on characteristics of the portfolio including their ESG policy and record of proxy voting, where applicable; and,
- Provide this information directly to both the Trustees and to the Consultant.

Consultant is expected to:

- Perform an initial and periodic review of the investment policy, guidelines, and asset allocation and communicate recommendations in writing and as necessary;
- Perform initial analysis of the portfolio's asset allocation and make periodic recommendations to the Trustees as necessary;
- Provide written information on Managers and recommendations for hiring and termination as required; and,
- Provide to the Trustees monthly reporting on portfolio composition, risk statistics, investment valuations and returns, cash flows, and the estimated interest rate and foreign currency hedge ratios.

Trustees, in conjunction with the Scheme actuary and administrator where appropriate, will be expected to:

- Provide Consultant with notice of any expected liquidity changes;
- Provide Consultant with notice of any required investment parameter changes; and,
- Process investment paperwork and wire direction letters as required.

Investment Management and Adviser Fees

Investment Manager fees are determined as a fixed percentage of assets managed and, in some circumstances, a performance-related fee based on outperformance. The Trustees acknowledge that this is a standard form of remuneration in the asset management industry. Investment Manager compensation in the return-seeking allocation that is tied to asset performance naturally aligns the Trustees and the asset managers on the primary goal of growing the assets to meet future benefit payments over the medium and long-term (3 to 5+ years).

Investment manager remuneration policies should promote sound and effective risk management with respect to sustainability risks, ensuring that the structure of remuneration does not encourage excessive risk-taking with respect to sustainability risks and consider the effect of potential conflicts of interest on remuneration in a way that is consistent with the integration of sustainability risk, including, any activities that give rise to greenwashing, mis-selling, or misrepresentation of investment strategies.

The Consultant is paid a Consultancy Fee on a fixed percentage of the Scheme Assets, a Hedging Fee on a fixed percentage of the Scheme's hedging programme and a fixed annual Administrative Fee. The Consultant does not receive remuneration from other sources, such as commissions or placement fees from recommended Investment Managers.

Performance reported on Scheme Assets is stated net-of-fees.

Review

The Trustees' policy is to review the suitability of the agreed investment strategy, the investment approach, and the appointed investment managers on an ongoing basis. Absolute return managers are expected to generate positive absolute returns over a market cycle. In addition, all managers are expected to exceed the return of their benchmark index over a market cycle on a risk-adjusted basis. Most absolute return approaches are not designed to track a market benchmark, and traditional benchmarks may not offer the best comparison. Investment returns cannot be adequately evaluated without considering risk. Therefore, the Trustees will consider the risk-adjusted performance of the strategy and the investment managers.

The Investment Consultant will be available to participate in all Trustee Meetings telephonically and in person at least once annually and be held to account for the performance of scheme assets.

The Trustees will review this Statement and their investment strategy at least annually or, more frequently, if dictated by significant changes in the Scheme's liabilities and/or market conditions. This Statement may only be amended after the Trustees have approved the recommended changes.

Effective Date of this Statement: 31 December 2023