

PwC Defined Benefit Retirement Plan (the “Plan”)

Statement of Investment Policy Principles

<i>Date of first adoption by the Trustee</i>	November 2022
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<i>Current document version</i>	v2
<i>Responsibility</i>	<i>The Trustee of the Plan</i>
<i>Status</i>	<i>Required under legislation</i>

1 Purpose

- 1.1 The purpose of this Statement of Investment Policy Principles is to outline the policies and guidelines that govern the management of the Plan’s assets. It has been reviewed by the Trustee and provides an overview of their investment objectives, investment policies, how they measure risk and their risk management processes.
- 1.2 Detailed guidelines for the Plan’s investment manager are separately documented.

2 Investment Objectives

- 2.1 The overall investment objective of the Trustee is to ensure that there are sufficient assets in the Plan which, taking into account the contributions paid by the Principal Employer, to meet regulatory requirements and the provisions of the Trust Deed and Rules.
- 2.2 To achieve this, the Trustee seeks to implement an investment strategy which is appropriate to the liabilities of the Plan and the funding and risk tolerances of both the Trustee and the Principal Employer.
- 2.3 The Trustee will ensure that the investment of the Plan’s assets adheres to the requirements of the Pensions Act 1990 and relevant regulations made under that Act.

3 Formulating Investment Policy

- 3.1 The Trustee has responsibility for setting and monitoring the investment strategy and arrangements of the Plan.
- 3.2 In setting their investment policy, the Trustee recognises that the Principal Employers continued financial support for the Plan 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 Trustee in

isolation, but also by an understanding of the objectives (financial or otherwise) of the Principal Employer.

- 3.3 The Trustee also recognises the need for expert advice in formulating investment policy and have therefore appointed a specialist investment advisor to the Plan.
- 3.4 All investment strategy decisions made by the Trustee will be made in accordance with the general principles and procedures set out in the Plan's Outsourcing Policy and Value for Money Policy.

4 Risk Measurement

- 4.1 The ideal investment strategy for any pension Plan investment would be a portfolio of high quality bonds of term appropriate to the liabilities. However, this bond strategy would be expected to deliver low long term returns and thus require high contributions. The Plan therefore needs to hold asset classes with higher expected returns (i.e. growth assets such as equities, property, emerging markets etc.) in order to try to reduce funding costs over the longer term. Growth assets will involve higher risk and volatility, particularly over the short term and it is therefore important to conduct an investment risk assessment to gain comfort on the level of investment risk in the Plan's portfolio of assets.
- 4.2 The key risk in the context of investment is that the Plan's funding level may deteriorate as a result of the investment strategy being pursued which would in turn increase the costs of funding and may threaten the future sustainability of the Plan.

(a) Value at Risk

Value at risk is an assessment of the potential increase in the deficit (on a long term measure of the liabilities) over a 1 year period at a given level of probability. The Trustee has considered the Value at Risk metrics for a number of investment strategies to attribute the key drivers of risks and how they might be mitigated.

(b) Scenario analysis

The Trustee has considered the probability and extent of a future surplus for a number of different investment strategies.

(c) Duration of the liabilities

Duration is an assessment of sensitivity to changes in interest rates or inflation. Duration of the liabilities can differ significantly, depending on the liability valuation measure under consideration.

(d) Hedge ratios

Hedge ratios assess the extent to which the liability matching portfolio behaves in line with the liabilities. The funding level and duration of the liabilities and the extent and duration of bond investment are key components to this calculation. It is important to consider hedge ratios on both short term (Funding Standard) and long term measures of the liability. Given the current interest rate environment, a key Trustee concern is maintaining/improving the Plan's Funding Standard position.

(e) Contribution impact

The Trustee and the Principal Employer have considered the differing contribution rates which would be required for a range of investment strategies with differing expected returns.

(f) Other Statistical analysis

As part of their assessments on the diversification of the growth portfolio of the Plan, the Trustee has considered the correlation of different growth asset classes with developed equity markets and the aggregate standard deviation (as a measure of volatility of return) of a number of different investment strategies.

(g) Qualitative risk assessment

The Trustee has consulted with asset class experts as part of the investment strategy review process. This is necessary as many of the quantitative assessments of risk above are based on long term assumptions and cannot accommodate important inputs into a given asset class's success in a strategy such as prevailing market conditions or investment manager skill.

5 Current Investment Policy

5.1 The last investment strategy review comprised consideration of:

- (a) the most appropriate risk reducing assets in which to invest, given the term and nature of the liabilities on key measures; and
- (b) the range of possible asset classes available to the Plan and the appropriateness of these asset classes to meet their objectives.

6 Strategic Asset Allocation

6.1 Arising from the review, the Trustee established the following strategic asset allocation for the Plan:

Asset Class	Strategic Allocation
Mercer Euro Long Real LDI Fund	20.0%
Mercer Euro Nominal Bond Long Duration Fund	3.0%
Mercer Passive Euro Over 5 Year Bond UCITS Fund	3.0%
Mercer LDI Fund I	16.0%
Mercer Euro Long Nominal LDI Fund	12.0%

MGI Euro Bond Fund	2.0%
Mercer Passive Euro Inflation Linked Bond Fund	6.0%
Mercer Medium Term Inflation Linked Bond Fund	38.0%
Totals	100.0%

- 6.2 The base currency of the Plan (and hence of the benchmark) is the Euro. The Trustee has factored the Euro nature of the liabilities when constructing the benchmark strategy.
- 6.3 The expected return of the current asset allocation is 2.15% (net of Mercer & sub Investment Manager fees). The expected return analysis has been based on 10 year capital market assumptions as at 31 March 2024.

7 Rebalancing

- 7.1 The Trustee recognises that even though the Plan's investments are subject to short-term volatility, it is critical that a long-term investment focus be maintained. The Trustee intends to avoid ad-hoc revisions to their philosophy and policies in reaction to either speculation or short-term market fluctuations and thus have agreed a rebalancing policy under which the asset allocation will be restored to the strategic allocation.
- 7.2 Rebalancing is considered as part of the investment agenda at Trustee meetings.

8 Risk Management

- 8.1 The Trustee will measure and monitor risk in the portfolio on a regular basis. Investments are regularly considered as part of Trustee meetings, which are also attended by the Plan's Investment Advisor.
- 8.2 The Trustee receives and reviews quarterly reports from their Investment Advisor. The investment managers appointed to the Plan also report to the Trustee on a quarterly basis.
- 8.3 In addition, the Trustee formally reviews the Plan's investment strategy in conjunction with actuarial valuations of the Plan and will do so following any significant change to the Plan.

9 Manager Structure/ Fund Details/Performance Objectives

- 9.1 Mercer has been appointed under an Implemented Consulting Service to implement the investment strategy and manager selection of the Plan. This involves selecting, blending and monitoring active and passive investment managers for the equity, alternatives and bond portfolios on the Trustee's behalf, allowing the Trustee to focus on strategic decisions.

9.2 Summary information on the funds and their performance objectives is set out below.

Asset Class	Benchmark	Objective
Mercer Euro Long Real LDI Fund	None	To seek general leveraged exposure to real interest rates through the use of a broad range of techniques.
Mercer Euro Nominal Bond Long Duration Fund	Passive Non-index Tracker	To seek to generate returns which closely match the returns achieved on a portfolio of long-dated Euro denominated bonds by primarily investing in a broad range of Euro denominated money market instruments and fixed income securities
Mercer Passive Euro Over 5 Year Bond UCITS Fund	ICE 5+ Year Euro GDP-Weighted Government Index	To achieve a risk and return profile which reflects that of the Benchmark Index
Mercer LDI Fund I	None	to seek exposure to nominal interest rates through a portfolio of Euro denominated bonds.
Mercer Euro Long Nominal LDI Fund	None	to seek general leveraged exposure to nominal interest rates through the use of a broad range of techniques
MGI Euro Bond Fund	ICE BofAML Euro Broad Market Index	To provide income and capital growth.
Mercer Passive Euro Inflation Linked Bond Fund	ICE 5+ Year Euro GDP-Weighted Inflation-Linked Government Index	to achieve a risk and return profile which reflects that of the Benchmark Index.
Mercer Medium Term Inflation Linked Bond Fund	Composite benchmark with overall duration of 14-18 years	to provide similar real income and capital growth to investors as would be earned through holding a portfolio of medium dated Euro denominated inflation linked securities.

10 ESG, Stewardship, and Climate Change

- 10.1 The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.
- 10.2 The Trustee has delegated day-to-day management of the assets to Mercer Global Investments Europe (MGIE), who in turn delegates responsibility for the investment of the assets to a range of underlying investment managers. MGIE monitors how the investment managers evaluate ESG factors, including climate change considerations, as well as how they exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.
- 10.3 MGIE provides reporting on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon foot-printing for equities.
- 10.4 The Trustee has not set any investment restrictions on MGIE or the underlying investment managers in relation to particular products or activities from an ESG perspective.

11 European Union (Shareholders' Rights) Regulations 2020

- 11.1 With respect to the European Union Shareholders' Rights Regulations 2020, the Trustee does not have a standalone engagement policy as the Plan invests in pooled funds and therefore has no direct engagement with the underlying entities held.
- 11.2 The Trustee has engaged with Mercer Global Investments Europe Limited (MGIE) and they have provided a copy of their engagement policy and confirmed that MGIE complies with the Regulations.
- 11.3 An annual report will be published by MGIE outlining how the engagement policy was implemented, including a general description of voting behaviour, a summary of significant votes taken and information on the use of the services of proxy advisors.

12 Sustainable Finance Disclosure Regulation (SFDR)

- 12.1 The Trustee acknowledges that under Article 4 of the SFDR there is a requirement to publish and maintain on a website whether principal adverse impacts of investment decisions on sustainability factors are considered. The Trustee is aware that Level II regulations came into force in January 2023 but await further guidance from the Pensions Authority as to the practical application for occupational pension schemes.
- 12.2 This Policy is made publicly available to members each year through the Trustee Annual Report and otherwise on request.

13 Review

- 13.1 The investment strategy of the Plan and this Statement of Investment Policy Principles will be reviewed every 3 years or following any significant change in the circumstances of the Plan.