

Wood Pension Plan

Statement of Investment Principles –

September 2026 (replaces April 2026)

1. Introduction

The Trustee of the Wood Pension Plan (the “Plan”) has drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of:

- The Pensions Act 1995, as amended by the Pensions Act 2004.
- The Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015; and
- Subsequent legislation and regulatory change.

The Statement is intended to affirm the investment principles that govern decisions about the Plan’s investments. A separate document (the Investment Policy Implementation Document, “IPID”) detailing the specifics of the Plan’s investment arrangements is available upon request.

In preparing this Statement, the Trustee has consulted a suitably qualified person by obtaining written advice from XPS Investment Limited (“XPS”) for the Defined Benefit Section and Isio Group Limited for the Defined Contribution Section. In addition, the Trustee has consulted the Sponsoring Company, Wood Group (referred to in this document as “Wood”), to ascertain whether there are any material issues of which the Trustee should be aware in agreeing the Plan’s investment arrangements and, in particular on the Trustee’s objectives.

The investment responsibilities of the Trustee are governed by the Plan’s Trust Deed and Rules (a copy of which is available for inspection on request) and relevant legislation. According to the law, the Trustee has ultimate power and responsibility for the Plan’s investment arrangements.

The Plan provides two types of benefit: one linked to final salary (Defined Benefit Section) and the other of a money purchase type (Defined Contribution Section). These are covered separately in Sections 2 and 3 respectively.

In respect of the residual holdings in excess of the buy-in policy held in the Defined Benefit Section the Trustee retains direct responsibility for setting investment objectives, establishing risk and return targets and setting the Plan’s strategic benchmark and manager structure selection and retention. It will also implement these decisions and be responsible for monitoring investment managers, custodians and other service providers, with appropriate expert advice and assistance as appropriate.

In respect of the Defined Contribution (DC) Section, the Trustee considers DC investment matters as a Board, along with other areas of DC governance.

2. Defined Benefit Section

Choosing Investments

The Trustee has selected a buy-in policy through which benefits due under the Plan are secured. The selection of the buy-in policy was made having taken written investment advice. The advice covered the suitability of the insurance policy; whether there was any need for diversification, given Plan circumstances; and the principles and objectives within this Statement. In addition to the buy-in policy, the Trustee maintains a small allocation with a professional investment manager consisting of liquid investments to cover any additional expenses.

The Trustee’s policy is to regularly review the investments over which it retains control and to obtain written advice about them when necessary. When deciding whether or not to make any new investments the Trustee will obtain written advice and consider

whether future decisions about those investments should be delegated to the Investment Managers. The written advice will consider suitability of the investments, the need for diversification and the principles within this Statement. The adviser will have the knowledge and experience required under Section 36(6) of the Act.

Investment Objectives

The Trustee's primary objective is to invest the Plan's assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest between them and Wood, in the sole interest of the members and beneficiaries.

The Trustee aims to achieve a funding position that is sufficient to secure members' benefits with an insurer, initially through a buy-in, and ultimately transitioning to a buy-out. That said, the Trustee has purchased a buy-in policy, which secures the benefits of all Plan members through an insurance company – Legal and General Assurance Society Limited ("LGAS"). The surplus assets – assets not used to purchase the buy-in policy – are invested separately to allow for data and benefit changes, residual risk cover and to meet administration costs and other expenses. The Trustee may elect to implement an investment strategy for the surplus assets which intends to generate returns above the risk-free rate of return from the surplus assets.

The objectives set out above and the risks and other factors referenced in this Statement are those the Trustee determines to be financially material considerations in relation to the Defined Benefit Section of the Plan over the time horizon appropriate to the Plan.

Portfolio Construction

The Trustee have purchased a buy-in policy from LGAS, securing the benefits of all Plan members, and will assess the benefits and timing of the Plan potentially completing a full buy-out in due course, as the most appropriate way to meet the primary objective.

The Trustee has adopted the following control framework in structuring the Plan's surplus investments where applicable:

There is a role for both active and passive management. Passive management will be used for one of several reasons, namely:

- To diversify risk.
- To invest in markets deemed efficient where the scope for active management to add value is limited.
- As a temporary home pending investment with an active manager.

To help diversify manager specific risk, multiple manager appointments, may be made within a single asset class.

Investment in illiquid assets, such as private equity and debt investments and property or pooled property funds, may be held in limited quantities. The proportion of such investments will be monitored at the individual manager and at the total Plan level.

Investment in derivatives is permitted as agreed on a manager-by-manager basis if they contribute to a reduction in risk or facilitate efficient portfolio management.

Investment may be made in securities that are not traded on regulated markets.

- Recognising the risks (in particular liquidity and counterparty exposure), the Trustee will look to ensure that the assets of the Plan are predominantly invested in regulated markets.

Stock lending of Government bonds (gilts) is permitted provided arrangements are in place to ensure security and sufficient liquidity.

No investment in securities issued by Wood, or affiliated companies will be made (other than any such securities held within a pooled fund in which the Trustee invests), unless posted by a third party as collateral as part of a diversified stock lending programme.

Borrowing is not permitted except to cover short-term liquidity requirements.

Investment Strategy

Having considered advice from the Investment Adviser, and also having due regard for the objectives, the Trustee has agreed to purchase a buy-in policy. The Trustee was presented with advice which covered the suitability of the insurance policy. The Trustee also received separate advice on the suitability of LGAS as the buy-in policy provider.

The strategic allocation set out below is now applicable for the invested residual amount in excess of the buy-in policy.

Further detail is included in a separate document produced by the Trustee, entitled Investment Policy Implementation Document ("IPID"), which is available to members upon request.

Asset Class ¹	Benchmark Allocation
	(%)
Buy & Maintain Credit	100
Cash/ Sterling Liquidity	
Total	100

1. The investment strategy above is applicable for any invested residual amount in excess of the buy-in policy.

Financially Material Considerations, Risk Management and Measurement

There are various risks to which any pension scheme is exposed. The Trustee's policy on the factors they consider to be financially material when making decisions relating to selection, retention and realisation of investments over the Plan's anticipated lifetime including the Trustee's policy on risk management, is as follows:

- The primary risk upon which the Trustee focuses is that arising through a mismatch between the Plan's assets and liabilities. This risk is minimised through the purchase of a buy-in policy with a reputable insurance provider which is expected to match the payments of benefits due.
- The Trustee believes that environmental, social and corporate governance ("ESG") issues, including climate change and stewardship, may present financially material considerations. Section 5 provides dedicated comments on the Trustee's approach.
- The Trustee recognises the "regulatory" risk that arises from investing in a market environment where the regulatory regime may change. This may be compounded by political risk in those environments subject to unstable regimes.
- The Trustee recognises the "insurance" risk that any insurance contract fails to deliver the expected benefits to pensioner members. This has been minimised by acquiring an insurance contract with an insurer that has a strong credit rating.
- By purchasing an insurance contract, the Plan is exposed to the risk of insolvency of the insurer. Should the insurer become insolvent, the Financial Services Compensation Scheme provides an extra level of security for payment of the benefits promised, for which the Trustee will still be liable.
- The Trustee recognises the "counterparty" risk that a third party fails to deliver cash or other assets owed to the Plan, which is addressed through the Investment Manager and Insurer guidelines with respect to cash and counterparty management. In respect of the buy-in contract, this risk has been mitigated by the Trustee taking advice on the strength of the Insurance Provider's covenant. In addition, the Financial Services Compensation Scheme provides an extra level of security should the Insurer fail.
- The documents governing the investment manager appointments include several guidelines which, among other things, are designed to ensure that only suitable investments are held by the Plan. The investment manager is prevented from investing in asset classes or investments outside of their mandate without the Trustee's prior consent.
- The Trustee recognises that the majority of the Plan's assets are liquid and readily realisable in the event of funds being required.
- The safe custody of the Plan's assets is delegated to a professional custodian. The custodian is responsible for the prompt reclaim of withholding taxes and other taxes on income due to the Plan.

In considering the selection, retention and realisation of investments, the Trustee does not currently take account of non-financially material considerations in considering the selection, retention and realisation of investments. It does however welcome the views from members, who have a variety of methods by which they can make these views known to the Trustee; this position is reviewed periodically.

Should there be a material change in the Plan's circumstances, the Trustee will review whether and to what extent the investment arrangements should be altered, and whether the current risk profile remains appropriate.

Day-to-Day Management of the Assets

Day to day management of the assets is delegated to professional investment managers who are all regulated by the Financial Conduct Authority ("FCA") or the relevant authority in the domicile country. The investment managers have full discretion to buy and sell investments on behalf of the Plan, subject to agreed constraints and applicable legislation. They have been selected for their expertise in different specialisations, and each manages investments for the Plan to a specific mandate which includes performance objectives, risk parameters and timescales over which their performance will be measured.

Section 6 sets out how the Trustee incentivises investment managers, where applicable, to operate in line with the objectives set out in this section.

Details of the Plan's current benchmark and the appointed managers can be found in the IPID.

Realisation of Investments

The Investment Managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation.

Cash flow and cash flow management

Any cashflows into or out of the Plan are, in the normal course of events, directed to maintain the Plan's asset allocation as close as possible to that shown in in this section. Again, however, there is discretion in relation to this if the Trustee believes an alternative approach is in the best interest of members. Further details on both the rebalancing and cashflow policies are set out in the IPID.

Expected return

By securing benefits through a buy-in policy, the Trustee expects that the change in value of the insurance policy will match the change in value of the benefits due under the Plan.

3. Defined Contribution Section

Process for Choosing Investments

The Trustee considers the characteristics of a range of members and their associated investment needs when choosing which types of investment to make available. The range of funds offered include those which offer the prospect of growth which are expected to exceed the rate of inflation in the long term, as well as funds that provide greater protection against changes in the cost of securing retirement benefits or volatile nominal market values.

Investment Objectives

The Trustee recognises that members have differing investment needs and that these may change during members' working lives. It also recognises that members have different attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances. The Trustee regards its duty to be to make available a range of investment options sufficient to enable members to tailor, to their own needs, their investment strategy.

Specifically, the Trustee has chosen a range of funds designed to enable members to achieve the following individual investment objectives:

- Positive long-term real rates of return
- Increasing protection for members accumulated assets in the years approaching retirement against:
 - Sudden (downward) volatility in capital values;
 - Fluctuations in the cost of taking retirement benefits in the member's chosen form.

The Trustee also provides members with a default investment option for those who do not wish to implement their own investment strategy.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee determines to be financially material considerations in relation to the Defined Contribution Section of the Plan.

Risk Management and Measurement

There are various risks to which any pension scheme is exposed, which the Trustee believes may be financially material to the Plan. The Trustee has considered risk from several perspectives over the Plan's anticipated lifetime. The Trustee believes that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on the member's age and when they expect to take their benefits from the Plan.

The primary risks considered are:

Market risk – The risk that low investment returns over members' working lives or unfavourable market movements in the years just prior to retirement will secure inadequate retirement benefits.

Benefit conversion risk – The risk that a member's fund value does not change in line with the cost of securing their selected retirement benefit type.

Inflation risk – The risk that investments do not keep pace with inflation, and thus the purchasing power of a member's accumulated wealth is eroded.

Expectation risk – The risk that a member's retirement benefits fall short of the amount expected or required, whether this is due to lower than expected investment returns or insufficient contributions being paid.

Manager risk – The risk that the Investment Managers do not meet their objectives. The Trustee monitors the managers' performance on a regular basis and compares the investment returns with the agreed performance objectives to ensure acceptable performance is being achieved. The Trustee has chosen to appoint both active and passive managers. The core funds offered to members are largely passively managed to reduce active manager risk for the majority of members.

However, whilst the use of active management increases manager risk, the Trustee considers that it is appropriate to offer members the choice.

Liquidity risk – The risk that arises from being unable to sell an asset in a timely manner. The pooled funds in which the Trustee allows members to invest are expected to provide a suitable level of liquidity. The Plan invests in daily dealt and daily priced pooled funds.

Concentration risk – The Trustee has adopted a default investment option for members who choose not to make their own investment decision that ensures that the risk of an adverse influence on investment values from the poor performance of a small number of individual investments is reduced by diversification of the assets:

- by asset class (equity, bonds, etc.)
- by region (UK, overseas, etc.)
- within each asset class, by the use of diversified pooled funds.

Default investment risk – The risk that the investment profile of the default investment option is unsuitable for the requirements of some members.

Investment Strategy

Default investment option

The Target Drawdown strategy is the default investment option for the Plan.

The Target Drawdown Strategy is a range of different target date funds set in three year tranches, for example, the Target Drawdown - Retiring 2035-2037 Fund is designed for members who are retiring between 1 January 2035 and 31 December 2037.

The aims of the default investment option, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk.
The default investment option's growth phase invests in the Mercer Long Term Growth Fund which consists of equities and other growth-seeking assets. These investments are expected to provide equity-like growth over the long term with some downside protection and some protection against inflation erosion.
- To provide a strategy that reduces investment risk for members as they approach retirement.

As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a strategy that seeks to reduce investment risk as the member approaches retirement is appropriate.

Each target date fund is invested in the Mercer Long Term Growth Fund, at 16 years before the target date, the underlying assets will gradually move to the Mercer Growth Fund, until eight years before their target retirement date when assets are then moved into a diversified portfolio of assets designed to meet the needs of a member intending to remain invested post-retirement (albeit outside of the Plan) and to draw down their funds over time, after taking tax free cash benefits. These target date funds aim to gradually move investments from higher-risk growth-seeking assets to assets aiming for income and less volatile growth.

- To provide exposure, at retirement, to assets that are broadly appropriate for an individual planning to take 25% cash at retirement (reflecting current tax-free cash rules) and to use the balance to stay invested post-retirement (albeit outside of the Plan).

At the start of the year following the last year in the Target Date Fund name (e.g., by 1 January 2038 for members in the Drawdown Retiring 2035-2037' fund), members' accumulated savings in the default investment option will be moved to the Target Drawdown Retirement Fund, which aims to broadly match these benefits through investment of 10% of the portfolio in a mix of high quality short-term sterling denominated money market instruments and 90% in a Diversified Retirement Fund, which aims to generate income and maintain the purchasing power of members' savings until they retire from the Plan. The assets in this multi-asset fund include equities, bonds and alternative assets.

The Trustee's policies in relation to the default investment option are detailed below:

- Assets in the default investment option are invested in the best interests of members and beneficiaries, taking into account the profile of members. In particular, the Trustee considers analysis of the Plan's membership in order to inform decisions regarding the default investment option. Based on this understanding of the membership, a default investment option that targets a drawdown-focused asset allocation at retirement is considered appropriate.
- Members are supported by clear communications regarding the aims of the default investment option and the access to alternative investment approaches. If members wish to, they can opt to choose their own funds or an alternative target date strategy. Moreover, members do not have to take their retirement benefits in line with those targeted by the default investment option; the target benefits are merely used to determine the investment strategy held pre-retirement.
- The default investment option manages investment risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. The Trustee considers risk qualitatively in the context of the variability of expected retirement outcomes and quantitatively in the context of the variability of investment returns. Investment risk levels are monitored by the Trustee on a quarterly basis. In designing the default investment option, the Trustee has explicitly considered the trade-off between risk and expected returns and has taken advice from an independent investment adviser on the suitability of the Plan's arrangements.
- Assets in the default investment option are invested in daily traded pooled funds which hold liquid assets. The pooled funds are commingled investment vehicles which are managed by various Investment Managers. The selection, retention and realisation of assets within the pooled funds are delegated to the respective Investment Managers in line with the mandates of the funds.
- Likewise, the Investment Managers have full discretion (within the constraints of their mandates) on the extent to which social, environmental and governance considerations are taken into account in the selection, retention and realisation of investments. However, the Trustee has in place a policy regarding such issues, which is detailed in Section 5 of this Statement. Currently, no additional policies in this regard have been applied to the default arrangement, and the core policy in Section 5 applies.

Taking into account the nature of the Plan's membership and the Trustee's views of how the membership will behave at retirement, the Trustee believes that the current default investment option is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Plan's demographic, if sooner.

Other Investment Arrangements

The Plan offers alternative target date investment options which target different retirement benefits than that targeted by the default investment option, namely full cash withdrawal and annuity purchase (which includes an allowance for tax-free cash benefits of 25%).

In addition, a range of self-select funds are offered to members. Details of the alternatives to the default option are provided in the IPID.

Illiquid Policy

The Trustee considers illiquid assets as those which cannot easily or quickly be sold or exchanged for cash at a reasonable value. Illiquid assets are not publicly traded and can also include physical assets such as infrastructure or real estate. Illiquid assets may also be held indirectly as a component of readily tradable funds with reasonable liquidity terms.

The delegated Fiduciary Manager has made available a strategy that includes an allocation to illiquid assets. The Trustee has considered the potential role of illiquid assets within the default arrangement and has decided, at present, to remain invested in the version of the strategy that does not include an allocation to illiquid assets, either directly or indirectly.

The Trustee understands the potential for higher returns and the diversification benefits that illiquid assets can offer relative to more traditional asset classes, such as listed equities. While these benefits are recognised, the Trustee is also aware of the risks associated with these investments, including illiquidity, valuation uncertainty and active manager risk. The Trustee further recognises that there can be operational and cost challenges associated with accessing illiquid assets within defined contribution pension arrangements.

When considering the default investment strategy, the Trustee carefully assesses whether the investment approach continues to represent good value for members, taking into account the expected risks and potential returns. The default investment strategy is reviewed periodically and, as part of this process, the Trustee will continue to consider whether an allocation to illiquid assets would be appropriate in the future.

Day-to-Day Management of the Assets

The Trustee delegates day to day management of the Plan's assets to professional investment management firms who are regulated by the FCA.

The fund range offered to members of the Defined Contribution Section is accessed through Mercer Workplace Savings on the platform provided by Mobius Life Limited ("Mobius"). The platform is accessed via a long-term insurance contract with Mobius.

The Trustee will ensure that the performance of each Investment Manager is assessed on a regular basis against a measurable objective, consistent with the objectives of the Plan, and an acceptable risk level.

Realisation of Assets

The Plan's investment managers have discretion in the timing of realisation of investments within funds and have responsibility for generating cash as and when required for benefit payments.

4. Additional Assets

Under the terms of the trust deed the Trustee is responsible for the investment of Additional Voluntary Contributions ("AVCs") paid by members and various immediate annuity contracts. The Trustee reviews the investment performance of the chosen AVC providers on a regular basis and takes advice as to the providers' continued suitability. Details of the current providers can be found in the IPID.

5. ESG, Stewardship (including Engagement Activities) and Climate Change Considerations

Defined Benefit and Defined Contribution

The Trustee believes that ESG issues may have an impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly require explicit consideration.

The Trustee accordingly considers these issues in the context of anticipated time horizon over which the assets will be held. The Trustee does not directly manage its investments and Investment Managers have full discretion to buy and sell investments within the various portfolios, within the guidelines of their mandates. ESG considerations are however taken into account in the selection, retention and realisation of investments in the following ways:

- The Trustee considers the ESG research ratings published by their Investment Consultant when monitoring the Plan's Investment Manager's capabilities. These ratings are also considered as part of any new selection of investment funds.
- In meetings with the Plan's Investment Manager, where relevant, ESG issues are discussed, and the manager is expected to discuss voting and engagement activities carried out on behalf of the Trustee for mandates where this is appropriate.

- Whilst members' views are not currently explicitly taken into account in the selection, retention and realisation of investments, the Trustee welcomes views from members. Members have a variety of methods by which they can make views known to the Trustee. This position is reviewed periodically.

With regards to the Defined Benefit section, The Trustee has no direct influence on the range of assets which support payments due under the buy-in policy. However, prior to entering into the buy-in policy the Trustee did consider ESG and responsible investing criteria as key factors in determining its suitability as the Insurance Provider of the policy.

Defined Benefit Section

The Trustee has given the Plan's Insurance Provider, and their investment manager full discretion when evaluating ESG issues and in exercising rights and stewardship obligations relating to the Plan's investments, taking account of current best practice, including the UK Corporate Governance Code, and the UK Stewardship Code. This applies to both equity and debt investments, as appropriate, and covers a range of matters including the issuers' performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, environmental and social impact and corporate governance.

The Plan's investment managers exercise voting rights and undertake engagement (collaborative or other) in accordance with their own corporate governance policy including escalation procedures to protect investment value. The investment manager's policy is expected to be provided to the Trustee.

In the case of active managers, where the manager believes that these issues will impact on performance or risk, the manager will be expected to take them into account in their decision making.

In order to ensure sufficient oversight of the engagement and voting practices of their managers, the Trustee may periodically meet with their investment managers to discuss engagement which has taken place. The Trustee will also expect their investment adviser to engage with the managers from time to time as needed and report back to the Trustees on the stewardship credentials of their managers. The Trustee will then discuss the findings with the investment adviser, in the context of their own preferences, where relevant. This will include considering whether the manager is a signatory to the UK Stewardship Code. The Trustee recognises the Code as an indication of a manager's compliance with best practice stewardship standards.

Defined Contribution Section

The Trustee has delegated day to day management of the default strategy and self-select funds for majority of the assets of the Defined Contribution Section to Mercer, who in turn delegates responsibility for the investment of the assets to a range of underlying Investment Managers. As well as regularly reviewing the suitability of the default strategy, the Trustees are responsible for choosing the range of self-select funds made available to members and have decided to make available specific sustainable fund options (more details provided in the IPID).

Mercer has in place a Sustainable Investment Policy which the Trustee has considered and adopted as part of the delegation of investment management. This Policy encompasses, for example:

- A commitment to appoint only underlying investment strategies at or above an agreed ESG ratings level.
- Taking a broader and longer-term perspective on risk, including identifying sustainability themes and trends for risk management and new opportunity allocations within the funds, where appropriate within the risk / return and asset allocation guidelines of the relevant funds.
- Recognition that climate change is a systemic risk given the transition to a low-carbon economy and the potential physical impact risks; actions in this respect will be taken in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. In particular, the Trustee receives Mercer's climate change management statement covering investments managed on behalf of Mercer Workplace Savings clients. The statement is produced in line with the recommendations of the TCFD, which Mercer, as the Plan's delegated investment manager for the Defined Contribution Section, signed up to following the release of its voluntary framework in 2017.
- Stewardship monitoring on investment manager voting and engagement activity and monitoring of adherence to the UK Stewardship Code.

The underlying investment managers are expected to evaluate ESG factors, including climate change considerations, and to 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.

For delegated investment funds, Mercer is expected to provide reporting to the Trustee on a regular basis, at least annually, on ESG integration progresses, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities and/or climate scenario analysis for diversified portfolios.

In the context of non-financial factors and members' views and beliefs, in the Defined Contribution Section the trustee has also made available to Plan members a passively managed fund that tracks an index of companies that meet a variety of ESG criteria, and a passively managed Sharia-compliant investment fund for those members with beliefs in this regard, which tracks an index of global companies engaged in Sharia compliant activities.

6. Investment Manager Arrangements

Overview

Investment managers are appointed based on their perceived capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics for the asset class or specific investment strategy they are selected to manage over a suitable time horizon.

The Trustee receives advice from its Investment Consultant in relation to forward-looking assessments of a manager's ability to outperform over a full market cycle, for mandates where outperformance is the objective. This view will be based on the Investment Consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment strategy/fund(s) that the Plan invests in.

For passively managed mandates, or those where outperformance is not the primary goal, the Trustee will seek guidance from the Investment Consultant in relation to their forward-looking assessment of the manager's ability to achieve the stated mandate objectives.

Where the Trustee makes segregated appointments, the Trustee specifies the investment objectives and guidelines in an investment management agreement ("IMA") and sets these so that they are in line with the Trustee's specific investment requirements.

Where the Trustee invests in pooled investment vehicles it accepts that it has no ability to specify the risk profile and return targets of the manager other than through the choice of specific vehicles. The Trustee will therefore select vehicles that best align with its own policy in terms of investment objectives and guidelines as set out in this Statement. Once appointed, the Trustee will review the appointment, should there be any material changes in these terms.

The Trustee makes appointments with the view to them being long-term (to the extent this is consistent with the Trustee's overall investment time horizon) and there is typically no set duration for the manager appointments.

For each appointment, retention is dependent upon the Trustee having ongoing confidence that the investment manager will achieve its investment objective. The Trustee makes this assessment taking into account various factors, which includes performance to date as well as an assessment of future prospects.

The investment manager is therefore incentivised both to achieve the objectives set for them, which are consistent with the Trustee's policies and objectives, and to ensure that they remain capable of doing so on a rolling basis. This encourages the investment managers to take a suitably long-term view when assessing the performance prospects of, and engaging with, the equity and debt issuers in which they invest or seek to invest.

Investment Manager Evaluation and Remuneration

The Trustee will receive reporting on asset class and investment manager performance as is deemed appropriate based on the investment of the surplus assets of the Plan. This may be via a combination of investment monitoring reports from the appointed Investment Consultant, presentations from the investment manager and investment manager reporting.

The Trustee meets with its investment managers as deemed appropriate. During such meetings the Trustee is able to review the decisions made by the managers, including investment decisions, voting history (in respect of equities) and engagement activity with investee companies, and can question such activities.

Investment returns (and volatility) are measured on both an absolute basis and relative to one or more suitable benchmarks and targets. Returns are considered net of all fees. The Trustee's focus is on long-term performance, but it will consider a review if there are significant short-term performance concerns.

As well as assessing investment returns, the Trustee will consider a range of other factors, with the assistance of their Investment Consultant, when assessing investment managers, which may include:

- Personnel and business change
- Portfolio characteristics (including risk and compatibility with objectives) and turnover

- Voting and engagement activity
- Service standards
- The adviser's assessment of ongoing prospects based on their research ratings, including ESG ratings.

The investment managers are remunerated by way of a fee calculated as a percentage of assets under management.

The Trustee has agreed performance related fees for some mandates and carries out regular reviews of manager fee arrangements. Investment managers are not remunerated based on portfolio turnover.

As part of the annual Value for Money assessment, the Trustee reviews the investment manager fees within the Plan's Defined Contribution arrangements, including benchmarking against appropriate peer groups.

There is no investment performance monitoring of LGAS as the buy-in provider, nor is there any ongoing remuneration due to LGAS.

Insurance Provider Remuneration

The Insurance Providers' fees are met through a combination of one or both of the following:

- A margin added to the cost of securing the benefits at the time of securing the buy-in policy.
- Any assets that exceed the required Plan benefits paid out, throughout the life of the policy.

Portfolio Turnover Costs

The Trustee does not monitor portfolio turnover costs in respect of the Defined Benefit Section and has no set portfolio turnover targets; rather the Trustee assesses investment performance net of the impact of the costs of such activities.

For the Defined Contribution Section, transaction costs, which include portfolio turnover costs, are monitored and assessed within the annual Value for Money assessment. The Trustee has not set portfolio turnover targets; again, the Trustee instead assesses investment performance net of the impact of the costs of such activities.

Turnover costs arise from a) "ongoing" transactions within an investment manager's portfolio and b) "cashflow" costs incurred when investing in, or realising assets from, a mandate.

The Trustee seeks to minimise cashflow costs by receiving income from mandates where possible and consistent with overall policy. The Trustee monitors the costs of implementing strategic change via their Investment Consultant.

The Trustee will seek periodic reporting on turnover and ongoing costs for all appointed managers.

Compliance with this Statement

The Trustee will monitor compliance with this Statement at least annually and will review this Statement at least once every three years and without delay after any significant change in investment policy. The Investment Consultant will provide the advice needed to allow the Trustee to review and update this Statement as required. In addition, no change will be made to the Statement unless the proposed changes to investment policy have been approved by the Trustee.