Statement of Investment Principles

Vaillant Group Pension Scheme

December 2024 (approved and signed April 2025)

1. INTRODUCTION

This document constitutes the Statement of Investment Principles (the 'SIP') required under Section 35 of the Pensions Act 1995 (the 'Act') for the Vaillant Group Pension Scheme (the 'Scheme'). It describes the investment policy, guidelines and procedures being pursued by the Trustees of the Scheme which the Trustees believe are in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK (the 'Myners Principles'). This SIP has also been drafted in a manner to reflect the requirements of The Occupational Pension Schemes (Investment) Regulations 2005.

In accordance with the Act, the Trustees confirm that, before preparing the SIP, they have obtained and considered written advice from their appointed Investment Adviser, SEI Investments (Europe) Limited (SEI), and have consulted with Vaillant Holdings Limited (the Principal Employers of the Scheme). The Scheme Actuary has also been consulted to ensure that the potential returns available from the investment strategy remain consistent with the assumptions the Trustees have adopted for determination of the Scheme's Statutory Funding Objective and the associated Recovery Plan to repair the funding shortfall.

The Trustees believe SEI, in their capacity as Investment Adviser, are qualified by their ability and practical experience of financial matters and have the appropriate knowledge and experience of the investment arrangements that the Scheme requires.

The Trustees are responsible for the investment of the Scheme's assets and arrangements for administering these in accordance with rules and regulations that apply at any given time. Where they are required to make a investment decisions, the Trustees first receive and consider advice from SEI: they believe that this ensures that they are appropriately familiar with the issues concerned.

In accordance with the Financial Services and Markets Act 2000 (FSMA), the Trustees are responsible for setting a general investment policy, but have delegated the day-to-day investment of the Scheme's assets to the Fiduciary Manager.

The Fiduciary Manager is authorised and regulated by the Financial Conduct Authority (FCA) and provides the expertise necessary to manage the investments of the Scheme.

Declaration

The Trustees confirm that this SIP reflects the investment strategy they have implemented for the Scheme. The Trustees acknowledge that it is their responsibility, with guidance from their Investment Adviser, to ensure the assets of the Scheme are invested in accordance with these principles.

Signed . . . . Date . . . .

For and on behalf of the Trustees of the Vaillant Group Pension Scheme

2. SCHEME GOVERNANCE

The Trustees are responsible for the governance and investment of the Scheme's assets. The Trustees consider the governance structure set out in this SIP to be appropriate for the Scheme as it allows the Trustees to make the important decisions on investment policy, whilst delegating the day-to-day aspects of investment management of the Defined Benefit (DB) section to the Fiduciary Manager. In addition, the Trustees are responsible for the investment of Additional Voluntary Contributions paid by members and will periodically review arrangements to ensure the profile of the funds available remain consistent with focussing on providing good member outcomes. The responsibilities of each of the parties involved in the Scheme's governance are detailed in Appendix A.

3. INVESTMENT OBJECTIVES

The overall objective of the Scheme is to meet the benefit payments promised as they fall due. The Trustees have set the following primary objectives:

- To make sure that, together with contributions from the Employer, that the assets can meet the Scheme's obligations to the beneficiaries of the Scheme;
- To strike an acceptable balance between the stability of funding and the long-term cost of benefit provision; and
- To achieve a rate of investment return that is sufficient to meet the objective of being fully funded on technical provisions by the end of 2028, whilst only taking the level of risk considered to be appropriate

4. INVESTMENT STRATEGY

4.1 General Policies

The Trustees' approach to investment strategy is to allocate the assets into the following broad asset categories in order to meet the investment objectives:

- Risk Management Pool - these investments exist in the portfolio to manage risk relative to the liabilities. Assets in this pool are those which tend to mirror the liabilities by nature and/or term such as fixed interest gilts, index-linked gilts, UK investment grade corporate bonds and liability driven derivative overlays such as interest rate and inflation swaps. The Trustees will set a target, known as a hedge ratio, for the percentage of the interest rate and inflation risk in the liabilities that will be mirrored in the assets.
- Return Enhancement Pool - these investments exist in the portfolio to generate returns relative to the liabilities, without a requirement to closely track liability performance. Assets in this pool include, but are not limited to, equities, property, emerging market debt, high yield bonds, commodities, structured credit instruments and hedge funds.

The Trustees' investment objective determines the split of assets between these components and within each component. Further to this the Trustees intend to establish a Journey Plan which sets out how this split will be adjusted over time as the Funding Level improves.

4.2 Asset Allocation

The Trustees recognise the importance of asset allocation to the overall investment returns achieved. However, given the approach to managing the investments set out in the previous section, the Trustees also recognise that the asset allocation will fluctuate from time-to-time as a result of factors such as changes in market conditions, or more conscious changes through higher/lower allocations to different asset types where there is high (or low) conviction.

In recognition of the risks that asset allocation can imply, there are asset allocation controls in place. These are detailed in the agreements between the Fiduciary Manager and the Trustees (current objectives, guidelines and restrictions as of the date of this SIP are set out in Appendix B).

4.3 Return Objective

A return on investments is required which, over the long term, is expected to be consistent with the Trustees' goal of meeting the Statutory Funding Objective.

Where the Trustees have felt it appropriate, the Fiduciary Manager has been mandated to invest actively in such a way as is expected to outperform relevant benchmark indices.

5. STRATEGY IMPLEMENTATION

The Trustees have appointed SEI Investments (Europe) Limited to be Fiduciary Manager. The Fiduciary Manager is appointed to invest the Scheme's assets, in accordance with the Investment policy agreed, through:

- Selecting appropriate SEI Funds or external Funds suitable for the Scheme.
- Defining the allocations to each Fund.
- Making changes and adjustments where appropriate.

The performance expectation of this process is delivery of the investment objectives of the Scheme.

5.1 Mandates and Performance Targets

The Trustees have received advice on the appropriateness of the Performance Targets, benchmarks and risk tolerances from the Investment Adviser and believe them to be suitable to meet the Scheme's investment objectives.

SEI has been mandated by the Trustees to manage the investments under its control, in a particular way, and details of these mandates are given in the agreement under which SEI is appointed by the Trustees (the Fiduciary Management Agreement) and summarised in Appendix B.

5.2 Fiduciary Management Agreement

The Fiduciary Management Agreement sets out the scope of SEI's duties as both Fiduciary Manager and Investment Adviser, together with fees, investment restrictions and any other relevant matters in relation to the Scheme.

SEI has been provided with a copy of this SIP and is aware that it is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995.

5.3 Diversification

The assets will be invested in a diverse portfolio of investments in order to reduce investment risk.

The Trustees understand the importance of diversification and, as such, the Fiduciary Manager is required by the Trustees to ensure the assets are properly diversified.

The range of, and any limitation to the proportion of, the Scheme's assets held in any asset class will be agreed between the Fiduciary Manager and the Trustees. These ranges and sets of limitations are specified in the Fiduciary Management agreement and may be revised from time to time where considered appropriate as circumstances change (details of the asset allocations and restrictions as at the date of this SIP are set out at Appendix B). The Trustees also have regard to the investment powers of the Trustees as defined in the Trust Deed.

5.4 Suitability

The Trustees have established a mandate with the specific aim of defining the asset management objective to be directly consistent with the liability driven objectives. As such, they consider the mandate to be suitable.

The Trustees have taken advice from the Scheme's Investment Adviser to ensure that the assets held by the Scheme and the proposed strategy are suitable given the liability profile, the Trustees' objectives, regulatory guidance and specifications in the Trust Deed.

5.5 Journey Plan

The Trustees intend to establish a Journey Plan for the purpose of de-risking the investment strategy as the Scheme's funding level changes. SEI will estimate and monitor the funding level and will be given discretionary authority to implement strategy changes as certain funding trigger points are reached. These will be outlined in Appendix E.

6. MONITORING

6.1 Investment Management

The Trustees will monitor the performance of the Fiduciary Manager against the agreed performance objectives.

The Trustees will regularly review the activities of the Fiduciary Manager to ensure they continue to perform in a competent manner and have the appropriate knowledge and experience to manage the assets of the Scheme.

6.2 Statement of Investment Principles

The Trustees will review this SIP on a regular basis or following any changes to the investment strategy, and modify it after consultation with the Investment Adviser and the Principal Employer. There will be no obligation to change this SIP or any adviser relationship as part of such a regular review. Following any changes to the investment strategy this SIP will require updating to reflect the revised investment strategy.

6.3 Trustees

The Trustees maintain a record of all decisions taken, together with the rationale in each case.

7. RISKS

The Trustees recognise there are a number of risks involved with the investment of the Scheme's assets. The Trustees intend to adopt an investment strategy where the value of assets and liabilities are broadly aligned.

The management of investment risk is a function of the asset allocation and diversification strategies and implementation of that strategy is delegated to the Investment Adviser. The Trustees will monitor and review the Fiduciary Manager's performance on a regular basis. Examples of some of the potential risks to the investments are set out in Appendix D.

8. OTHER ISSUES

8.1 Statutory Funding Objective

The Trustees will obtain and consider proper advice on the question of whether the investments and investment strategy are satisfactory having regard to both the investment objectives and the requirement to meet the Statutory Funding Objective. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation at least every three years.

The Trustees will consider with the Investment Adviser and the Scheme Actuary whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the Statutory Funding Objective.

8.2 Financially material considerations

The Trustees are of the view that financially material considerations, include (but are not limited to) environmental, social and governance (ESG) considerations. This includes the impact of climate change. Mitigating risk and capturing investment opportunities driven by the integration of ESG issues may have a material impact on investment returns over an appropriate time horizon. This is a view shared by the Sponsor, who sees sustainability as central to the organisation's long term view of "Taking care of a better climate". Given the long term nature of the benefits and the circumstances of the Scheme, the Trustees anticipate investing for a period that is likely to exceed ten years

As the Scheme only invests in pooled investment funds and has delegated much of the selection and monitoring of such vehicles to the Fiduciary Manager, the Trustees expect the Fiduciary Manager and their delegates to take due account of financially material considerations, including, but not limited to, ESG issues, in the selection, retention and realisation of investments.

The Fiduciary Manager does this by way of screening (limited to controversial weapons), engagement (influence and mutual interest) and integrated analysis of investment managers. In this regard the Fiduciary Manager is a signatory to the United Nations Principles for Responsible Investment and has a stewardship and engagement program as detailed in the paragraph 8.3.

The Trustees expect the Fiduciary Manager to keep them up to date with its latest position on ESG factors and any material decisions that have been taken by them as a result of considering such issues.

Non-financially material considerations are not taken into account when determining investment policy. Members' views are not sought. For this purpose, non-financial matters means the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the Scheme. In reaching this decision, the Trustees have considered both the challenges of engaging a properly representative sample of members and the strong likelihood of a lack of consensus among those most likely to respond to such a consultation.

8.3 Stewardship & Engagement

The Scheme's investments are achieved via pooled investment funds, in which the Scheme's investments are pooled with those of other investors. The direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes, social, ethical or environmental factors, is delegated to SEI, or in the case of a third party pooled fund, its investment manager.

The management of the Trustees' policy in relation to the exercise of rights (including voting rights) and other engagement activities in respect of an investment is as follows:

- Voting decisions on stocks are delegated to the investment manager of the pooled fund. Where this is SEI, SEI has pooled the holdings in their funds with other investors and employed a specialist ESG provider for voting and engagement services. The Fiduciary Manager is a signatory to the 2020 Stewardship Code. The Fiduciary Manager will report on voting and engagement activity to the Trustees on a periodic basis together with its adherence to the UK Stewardship Code.

- SEI, or the investment manager of a third party pooled fund, has full discretion for undertaking engagement activities in respect of the investments:

  (a) with relevant persons (which term includes (but is not limited to) an issuer of debt or equity, an investment manager, another stakeholder or another holder of debt or equity);

  (b) about relevant matters including (but not limited to) matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance. Under the Investment Regulations the Trustees must document the methods by which and the circumstances under which the Trustees monitor and engage with the relevant persons about relevant matters. The Trustees have delegated the responsibility for such monitoring and engagement to SEI.

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The Fiduciary Manager will report on voting and engagement activity to the Trustees on a periodic basis together with their adherence to the UK Stewardship Code. The Trustees will review their policy and such reports on a regular basis and hold the Fiduciary Manager accountable for the exercise of voting rights and engagement.

8.4 Realisation of Assets

The Trustees will ensure that the Fiduciary Manager is made aware of the cashflow requirements of the Scheme. The Fiduciary Manager will be responsible for ensuring that, in normal market conditions, sufficient assets are readily realisable to meet any disinvestments required by the Trustees to meet these cashflows.

8.5 Custody

The Trustees have appointed Bank of New York Mellon as the custodian of the assets managed by SEI.

These arrangements may be altered in the future.

8.6 Use of Derivatives

The Trustees have considered the use of derivatives within their investment strategy and have determined that derivatives will not generally be allowed directly in the Trustees' own name. However, the Trustees recognise that such instruments play an important part in risk reduction and efficient portfolio management, and will be used within pooled funds. These restrictions are reflected within the Fiduciary Management Agreement.

8.7 Conflicts of Interest

The Trustees will endeavour to ensure that any conflicts of interest are managed in the best interests of the Scheme.

9. Asset manager arrangements

Incentivising managers to align with the Trustees' investment strategy

The Fiduciary Manager is incentivised to align its investment strategies with the Trustees' policies mentioned in this SIP through the terms set out in the Fiduciary Management Agreement, and through the Trustees setting investment objectives which are reviewed annually. The Trustees will monitor and assess performance against these investment objectives on a regular basis and have also appointed an independent adviser to assist in assessing SEI's performance. Such review will also include how well the Fiduciary Manager is aligned with the SIP, including in terms of ESG factors and the quality of service provided.

SEI engages third party asset managers either through the use of third party pooled funds or through the appointment of asset managers within multi-manager pooled funds. The Fiduciary Manager is responsible for fee arrangements with asset managers, the costs of which are borne directly by the Scheme. SEI will monitor the asset managers' performance on an ongoing basis against the particular investment strategy, fees paid and any objectives agreed with that manager. Where an asset manager is not performing or acting in a manner SEI feels is appropriate it may ultimately result in the termination of their mandate.

The fees paid to the Fiduciary Manager and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the Scheme.

Medium to long term and non-financial performance

Performance in the medium to long term can be improved where asset managers (i) make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity; and (ii) engage with issuers of debt or equity. The Trustees have delegated this to SEI and will monitor performance against this.

As described above, where an asset manager is not performing or acting in a manner SEI feels is appropriate it may ultimately result in the termination of their mandate.

As indicated above, the fees paid to the Fiduciary Manager and the possibility of their mandate being terminated, ensure they are aligned with the Trustees' interests in respect of medium to long term performance. Together, these arrangements, incentivise the Fiduciary Manager to make decisions and to engage accordingly with a view to the medium to long term.

Monitoring portfolio turnover and costs

The Trustees have delegated the monitoring of the costs incurred by asset managers in the buying, selling, lending or borrowing of investments to the Fiduciary Manager.

The Trustees recognise that portfolio turnover (being the frequency with which the assets are expected to be bought/sold) and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the Fiduciary Manager. However, the Fiduciary Manager will incorporate portfolio turnover and resulting transaction costs in its advice on the Scheme's investment mandates. When the Trustees agrees a particular strategy and investment mandate, this will then set an expected level of turnover and transaction costs. The Trustees will review and monitor the actual level of the costs and turnover against this expected level on an annual basis at a Trustee meeting.

Monitoring manager performance and remuneration

The Trustees will monitor performance quarterly and assess performance against the Fiduciary Manager’s objectives annually. Such review will also include how well the Fiduciary Manager's fees and performance are aligned with the SIP, including in terms of ESG factors and the quality of service provided and will also include a review of actual fees paid relative to expected and contractual fee levels. This method is in line with the Trustees' policies on the basis that it gives the Fiduciary Manager both freedom and accountability in relation to those policies.

In terms of third party asset managers either appointed by the Fiduciary Manager, or appointed by the Scheme before SEI became Fiduciary Manager but retained in the portfolio, SEI will monitor the managers' performance and fees on an ongoing basis against the particular investment strategy, objectives and fee arrangements agreed with that manager. As such the third party asset managers are not monitored directly against the requirements of the SIP.

This method of evaluation is undertaken with a view to appointments being long term (to the extent this is consistent with the Trustees’ overall investment time horizon) and there is typically no set duration.

Duration of asset manager agreements

The agreement with the Fiduciary Manager has an indefinite term but can be terminated by the Trustees giving one month’s notice. The Scheme does not have any direct agreements with third party managers used by the Scheme; however it should be noted that the duration of any investment in a pooled fund will be affected by the redemption terms of that pooled fund.

Appendix A- Responsibilities

Trustees

The Trustees of the Scheme are responsible for, amongst other things:

i. Determining the investment objectives of the Scheme and reviewing these from time to time.

ii. Agreeing an investment strategy designed to meet the investment objectives of the Scheme.

iii. Reviewing regularly the content of this SIP and modifying it if deemed appropriate, in consultation with the Investment Adviser.

iv. Reviewing the suitability of the investment policy following the results of each actuarial or investment review, in consultation with the Investment Adviser.

v. Assessing the quality of the performance and process of the Fiduciary Manager by means of regular reviews of the investment results and other information, by way of meetings and written reports.

vi. Assessing the ongoing effectiveness of the Investment Adviser.

vii. Consulting with the Principal Employer when reviewing investment policy issues.

viii. Monitoring compliance of the investment arrangements with this SIP on an ongoing basis.

ix. Advising the Investment Adviser of any changes to Scheme benefits and significant changes in membership.

Investment Adviser and Fiduciary Manager

The Investment Adviser and Fiduciary Manager will be responsible for, amongst other things:

i. Participating with the Trustees in reviews of this SIP.

ii. Advising the Trustees how changes within the Scheme's benefits, membership and funding position may affect the manner in which the assets should be invested.

iii. Advising the Trustees of changes in the investment environment that could either present opportunities or problems for the Scheme.

iv. Undertaking reviews of the Scheme's investment arrangements including reviews of the asset allocation policy and current funds the Scheme is invested in, as appropriate.

v. At their discretion, but within any guidelines given by the Trustees, implementing changes in the asset mix and selecting and undertaking transactions in specific investments within each asset class to achieve the stated objective.

vi. Providing the Trustees with sufficient information each quarter to facilitate the review of their activities, including:

- A report of the strategy followed during the quarter.
- The rationale behind past and future strategy.

- A full valuation of the assets and a performance summary.

vii. Informing the Trustees, to the extent that they become aware, of:

- A breach of this SIP that has come to their attention.
- Any serious breach of internal operating procedures.
- Any material change in the knowledge and experience of those involved in managing the Scheme's investments.
- Any breach of investment restrictions agreed between the Trustees and the Fiduciary Manager from time to time.

Scheme Actuary

The Scheme Actuary will be responsible for, amongst other things:

i. Liaising with the Investment Adviser on the suitability of the Scheme's investment strategy.

ii. Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels.

iii. Commenting on the appropriateness of the investment strategy relative to the liabilities of the Scheme at the triennial valuations.

iv. Advising the Trustees,and the Investment Adviser of any changes to contribution levels and funding level.

Custodians

The Custodian will be responsible for, amongst other things:

i. Safe-keeping and administration of all the directly held assets and the pooled funds (where applicable).

ii. Collecting income from assets and transferring it to the Trustees.

iii. Processing all tax reclaims in a timely manner.

iv. Reconciling records of assets.

Appendix B - Investment Objectives, Guidelines and Restrictions

The objective of the Trustees is to achieve fully funded status on a Technical Provisions basis (as defined in the Pensions Act 2004) ("Fully Funded Status") by the end of 2028.

The Investment Parameters for SEI to manage the Portfolio have been set in consultation with the Trustees and are set out in Table A and B below

Table A - High Level Asset Allocation

Category	Allowable Range
Return Enhancing Pool	**37%-57%**
Risk Matching Pool	**43%-63%**

The Trustees have also determined that they wish to reduce the interest rate and inflation risk exposure of the Scheme by engaging in an LDI Strategy to target the hedge ratios shown in Table B.

Table B - Interest and Inflation rate risk mitigation

Risk	Hedge Ratio
Interest rate risk (effective % of interest rate sensitivity in the liabilities that the Portfolio should aim to match)	**95%**
Inflation Rate Risk (effective % of inflation rate sensitivity in the liabilities that the Portfolio should aim to match)	**95%**

The Hedge Ratios will be rebalanced within +/-5% quarterly should any ratio vary from its target level by more than 5%.

Appendix C

Scheme Actuary:

Sophie Young, Mercer

Investment Adviser:

SEI Investments (Europe) Limited

Fiduciary Manager

SEI Investments (Europe) Limited

Custodian

Bank of New York Mellon

Appendix D

The Trustees recognise that the following are some of the risks involved in the investment of assets of the Scheme:

- **Cashflow risk**
  The risk of a shortfall of liquid assets relative to the immediate liabilities. The Trustees and their advisers will manage the Scheme's cash flows taking into account the timing of future payments, and may borrow over the short-term in order to minimise the probability that this occurs.

- **Financial mismatching risk**
  The risk of a significant difference in the sensitivity of asset and liability values to changes in financial factors, in particular inflation and interest rates. The Trustees will control these risks by monitoring their key characteristics and setting appropriate tolerances.

- **Demographic risk**
  Demographic factors include the uncertainty surrounding mortality projections such as future improvements in mortality experience. The Trustees recognise that there is currently no readily-tradable instrument to hedge this type of risk and that this risk may not be fully mitigated. The Trustees will measure liabilities using mortality assumptions recommended by the Scheme Actuary.

- **Manager risk**
  The failure by the Fiduciary Manager to achieve the rate of investment return assumed by the Trustees. This issue has been considered by the Trustees on the initial appointment of the Fiduciary Manager and thereafter will be considered as part of the investment review procedures the Trustees have put in place.

- **Concentration risk**
  The risk that the performance of any single asset class or single investment that constituted a significant proportion of the assets would disproportionately influence the Trustees' ability to meet the objectives. The Trustees have delegated diversification to the Fiduciary Manager and will monitor it on a regular basis

- **Credit Risk**
  The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation**.** The Trustees limit the risk by restricting the Scheme's exposure to investments with a high credit risk and by ensuring that credit risk is well diversified across a number of counterparties.

- **Market risk**
  The risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market prices. This comprises three types of risk:

  1. **Interest rate and inflation risk.** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates or inflation rates. In setting the investment strategy the Trustees have taken account of the interest rate and inflation sensitivity of the liabilities

and then determined the extent to which it is appropriate and possible for these sensitivities to be matched by the assets, given the overall objective of the Scheme. The Trustees will monitor the performance of the assets relative to the liabilities with particular regard to the impact of interest rate and inflation rates.

2. **Currency risk.** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Trustees limit the risk by ensuring that only a proportion of the Scheme's assets are invested in assets that are denominated in currencies other than in the currency of the liabilities unless the currency risk is hedged.

3. **Other price risk.** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of other market changes (other than those arising from interest rate, inflation and currency risk) whether those changes are specific to the financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Trustees seek to reduce the impact of price risk through investing in a diverse portfolio of asset classes with due consideration to the correlation of the value of different asset classes to each other in different market conditions. The Trustees also seek to avoid investing in asset classes where the price risk is unrewarded.

- **Transition risk**
  The risk of incurring inappropriate costs in relation to the transition of assets from one investment manager to another or the movement of assets between different pooled funds. The Trustees will mitigate this risk by ensuring it is informed of any costs before they occur and by monitoring the actual cost against that expected.

- **Custody risk**
  The Trustees will assess and consider the actions of the custodians of the Scheme's assets, at the outset and on an ongoing basis to mitigate the risk of misappropriation of assets, delivery that is not in accordance with the instructions, unauthorised use of assets for the benefits of other customers of the custodian, inadequate segregation of customer assets, failure to collect income, recover tax or respond to corporate events and custodian default.

  The Custodian ring fences the Scheme assets from its own assets and those of its other clients.

- **Derivative risk**
  Where derivatives are used by the Scheme, the Scheme will have additional risk with the counterparty to that derivative. These risks will be managed through the use of collateral arrangements

The Trustees will keep these risks under regular review.

Appendix E

The Scheme's Journey Plan remains under review and will be determined as part of the 5th April 2025 valuation. Once the valuation negotiations are concluded with the Sponsor, a formal journey plan, including any de-risking triggers and their implementation approach will be incorporated into the Statement of Investment Principles.