Northern Ireland Water Limited Pension Scheme

Statement of Investment Principles – December 2025

1. Introduction

NIW Pension Trust Company Limited, the Trustee of the Northern Ireland Water Limited Pension Scheme (the “Scheme”) has drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of current legislation, including the Pensions (Northern Ireland) Order 1995 as amended (“the Act”) and the Occupational Pension Schemes (Investment) Regulations 2005 as amended. The Trustee has consulted a suitably qualified person by obtaining written advice from Mercer Limited (the “Investment Consultant”). The Trustee in preparing this Statement has also consulted Northern Ireland Water Limited (the “Company”) as the sponsor of the Scheme.

Overall investment policy falls into two parts; the strategic management of the assets, which is fundamentally the responsibility of the Trustee, and the day to day management of the assets, which is delegated to professional investment managers.

This Statement sets out the general principles underlying the investment policy. Details of how this policy has been implemented are set out in a separate Investment Policy Implementation Document (“IPID”), which should be read in conjunction with this Statement.

The strategic management of the assets is the responsibility of the Trustee acting on expert advice and is driven by its investment objectives. However, the oversight of this strategy and the investment managers is delegated by the Trustee to a sub group of the Trustee – the Investment Sub Committee. This Committee operates under an agreed Terms of Reference and make recommendations to the Trustee as required. The remaining elements of policy are part of the day to day management of the assets which is delegated to professional investment managers.

2. Investment Objectives

The Trustee’s objective is to invest the Scheme’s assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries. Within this framework the Trustee has agreed a number of objectives to help guide it in its strategic management of the assets and control of the various risks to which the Scheme is exposed. The Trustee’s primary objectives are as follows:

- To ensure the Scheme can meet its obligations to beneficiaries.
- To strike an appropriate balance between risk and return when setting investment strategy.
- To consider carefully the risks involved in investing in different asset classes.
- To pay due regard to the Company position with respect to the size and incidence of employer contribution payments.

To ensure the primary objectives are met, the Trustee has agreed to split the assets and liabilities into two sections - the Low Dependency Section (previously known as the Past Service Section) and Accruing Section (previously known as the Future Service Section) and adopt different investment strategies for each Section. Further detail is outlined below and in Section 4.

The Trustee has put in place a trigger framework to facilitate de-risking on an opportunistic basis when the funding position of the Accruing Section, or the Scheme as a whole, exceeds expectations. If a trigger is breached, the Trustee will consider transferring assets and liabilities from the Accruing Section to the Low Dependency Section. The Trustee maintains the Accruing Section to Low Dependency Section De-Risking Protocol document (the "De-Risking Protocol") which outlines the agreed framework for trigger events and the process for the implementation of de-risking.

- The Low Dependency Section liabilities are considered to be the benefits already accrued up to the date of the latest actuarial valuation or the date of the most recent transfer of liabilities from the Accruing Section to the Low Dependency Section (the later of the two dates) as stipulated in the De-risking Protocol. The Low Dependency Section investment strategy predominantly focusses on liability matching, or income distributing, assets to reduce funding level volatility and meet Scheme outgoings.

- The Accruing Section liabilities are those accrued since the actuarial valuation or the most recent transfer of liabilities from the Accruing Section to the Low Dependency Section (the later of the two). The Accruing Section investment strategy adopts a more growth orientated strategy than the Low Dependency Section, to capture the long-term growth above that of the liabilities expected from global equities and diversified growth funds. This strategy will help manage the cost of accruing benefits and provide an expectation that, at a point in the future, assets and liabilities from the Accruing Section can be transferred to the Low Dependency Section and invested in the lower risk strategy. As outlined in the De-risking Protocol, a minimum of three months' worth of accrual (and associated assets) will remain in the Accruing Section following a de-risking transfer.

3. Risk Management and Measurement

The Trustee considers a range of potentially financially material factors or risks when they are making decisions on the selection, retention and realisation of investments. The Trustee's policy on the main factors relevant to the Scheme over its anticipated lifetime, and the risk management of them, is as follows:

- The primary risk upon which the Trustee focuses is that arising through a mismatch between the Scheme's assets and its liabilities. The Trustee has adopted a lower risk and return strategy for the Low Dependency Section liabilities which will result in a smaller mismatch between the assets and liabilities. For the Accruing Section liabilities, the higher risk investment strategy has a greater mismatch. The Trustee has considered carefully the implications of adopting different levels of risk and considers the strength of the Company's covenant to support those risk levels via periodic reviews.

- Risks arising from environmental, social and corporate governance ("ESG") issues including climate change and stewardship. The Trustee believes that these risks present threats but also opportunities. See Section 5.5 for dedicated comments on these risks and the Trustee's approach.

- Credit default risk. Arises through exposure to debt and credit instruments. The Trustee believes it has mitigated this risk by focusing primarily on investment grade credit and investing in a sufficiently diversified manner.

- Interest rate risk. The risk that the assets do not move in line with the value placed on the Scheme's liabilities in response to changes in interest rates. The Trustee seeks to manage and monitor this risk within the Low Dependency Section via a Liability Driven Investment ("LDI") portfolio, which, in conjunction with investments in Corporate Bonds, aims to match the interest rate sensitivity of the Scheme's estimated liabilities on a suitable basis.

- Inflation risk. The liabilities of the Scheme are heavily inflation linked. Investing in assets that do not have the same degree of inflation sensitivity creates a mismatch. The Trustee seeks to manage and monitor this risk within the Low Dependency Section via the LDI portfolio, which aims to match the inflation sensitivity of the Scheme's estimated liabilities on a suitable basis. Other assets are expected to generate returns in line with or above inflation over the long term.

- Collateral buffer risk. Adverse movements in leveraged holdings within the LDI portfolio may lead to a fall in collateral levels to the extent that unplanned sales are required in order to maintain the exposures that the leveraged positions provide, including the risk that sales cannot be made in the timescales required. This risk is managed by maintaining suitably high levels of collateral and by maintaining a collateral management policy that ensures an orderly process for replenishing collateral if required.

- The Trustee recognises the risk that the non-UK assets will fluctuate with the changes in exchange rate with Sterling. Given the low level of equity holdings the Trustee does not currently adopt a currency hedging policy, but will keep this under review. The Scheme's diversified growth, corporate bond and secured finance holdings may expose the Scheme to currency risk. In some cases these managers will hedge currency exposure to Sterling. However any currency hedging decisions are at the discretion of the investment managers. The Scheme's investments in infrastructure and sustainable opportunities also result in currency risk as opportunities are invested in globally, and there is no currency hedging for these investments.

- The Trustee recognises the risks that may arise from the lack of diversification of investments. The Trustee aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. Due to the size of the Scheme's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles.

- The Trustee recognises the risks of underperformance introduced by the use of active managers. As a result the Trustee invests in index tracking (also known as passive management) funds unless it believes the case for active management is strong. Currently passive management is adopted for equity and government gilt assets.

- The Trustee recognises that a number of the asset classes invested in by the Scheme are illiquid, albeit to differing degrees. These asset classes are: High-Lease-to-Value ("HLV") Property, Secured Finance, Infrastructure and Sustainable Opportunities. The Trustee believes the degree of illiquidity risk is acceptable given the Scheme remains open to new members, Secured Finance and HLV Property are realisable (although with delay), and income or distributions are or could be paid from all of the illiquid investments. Infrastructure and Sustainable Opportunities are expected to be truly illiquid (or a heavy discount has to be accepted to realise assets) and with a life of between 10 and 15 years from the initial investment. The Trustee's intention is to increase over time the liquidity of the assets in the Low Dependency Section by allowing the Infrastructure and Sustainable Opportunities exposures to run off.

- Arrangements are in place to monitor the Scheme's investments to help the Trustee check that nothing has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, the Trustee receives regular reports from the Investment Sub Committee.

- The safe custody of the Scheme's assets is delegated to professional custodians (via the use of pooled vehicles).

The Trustee undertakes, approximately every three years, a detailed review of investment strategy based on qualitative and quantitative analysis of the risks.

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

In light of the above potential risks, the Trustee receives advice from the Investment Consultant and Scheme Actuary in order to assist it in its duties.

4. Strategic Asset Allocation

The Trustee has determined, taking account of the liability profile of the Scheme, the financial strength of the Company, the funding position of the Scheme as at the 31 March 2025 funding update, and based on expert advice from Mercer, the target strategic asset allocations as set out in the tables below.

The proportion of Scheme assets within each Section will change over time depending on the size of contributions into the Accruing Section, the relative performance of each investment strategy and how frequently the Accruing Section liabilities and assets are transferred to the Low Dependency Section. At the time of writing the Low Dependency Section was c99% of Scheme assets.

Low Dependency Section Investment Strategy

The aim of this strategy is to reduce funding level volatility relative to the liabilities, with significant exposure to assets which match movements in the Scheme's liability value. As the liabilities are largely inflation linked, the strategy focusses on investing in inflation linked or sensitive assets, or assets that will provide an income stream. Specifically, within the Low Dependency Section the Trustee targets a 95% hedge of the Technical Provisions liabilities' sensitivity to interest rates and inflation through the LDI and Corporate Bond allocations.

The Trustee believes that the target benchmark allocation is currently appropriate for controlling the risks identified in Section 3 and generating a modest long term expected return ahead of the discount rate within the actuarial valuation.

The table below outlines the long term target investment strategy prior to “run off”.

Asset Class	Target Benchmark - % of Total Low Dependency Assets
Liability Driven Investment	53.5
Corporate Bonds	7.0
Secured Finance	14.0
HLV Property	14.0
Infrastructure	6.5
Sustainable Opportunities	5.0

The Infrastructure and Sustainable Opportunities allocations are to be ‘run-off’ over time (expected to be around 10 years) as distributions are paid out. Therefore the target allocations will be kept under review and adjustment made over time. A Cash Fund is used to automatically meet the drawdown requests for the Infrastructure and Sustainable Opportunities, but is not part of the strategic allocation.

The Trustee and Investment Sub Committee review the Scheme’s asset allocation against the target allocations and will consider whether rebalancing of the allocations may be required, taking advice from Mercer, and allowing for the limitations due to the allocations to illiquid investments.

Accruing Section Investment Strategy

The aim of this strategy is to capture the long-term growth above that of the liabilities expected from global equities and a diversified growth fund, in order to manage the cost of future service and to, achieve a sufficient funding level that would allow for the Accruing Section assets and liabilities to be periodically transferred to the Low Dependency Section and invested in the lower risk strategy.

The Trustee believes that the target benchmark allocation is currently appropriate for controlling the risks identified in Section 3 and generating a long term expected return, ahead of the discount rate within the actuarial valuation. In respect of equites, the Trustee invests in a mandate that applies an overlay considering climate change and ESG issues. The table below outlines the target investment strategy.

Asset Class	Target Benchmark - % of Total Accruing Section Assets
Total	**100.00**
Global Equity	50.00
Diversified Growth	50.00

5. Management of the Assets

5.1 Appointment of Investment Managers and Alignment with Investment Strategy

The Trustee delegates the day to day management of the assets to a number of investment managers. Details of the appointed managers can be found in the IPID. Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics for the asset class and mandate being selected for. Since the Trustee invests in pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy. Within Infrastructure and Sustainable Opportunities the managers are incentivised in part through remuneration (via performance related fees).

In order to assist the Trustee in the appointment of managers they look to their investment consultant for a forward looking assessment of a manager's ability to meet its investment objectives over the designated timeframe. This view will be based on the consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Scheme invests in. The Investment Consultant's manager research ratings assist with due diligence and questioning managers during presentations to the Investment Sub Committee and Trustee and are used in decisions around selection, retention and realisation of manager appointments.

The Investment Sub Committee and Trustee will also consider the Investment Consultant's assessment of how each investment manager embeds ESG factors into its investment process. See Section 5.5 for more detail.

5.2 Monitoring of Investment Managers

If the investment objective for a particular manager's fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

The Investment Sub Committee and Trustee receives investment manager performance reports on a quarterly basis, which present performance information over 3 months, 1 year, 3 years and since inception. The Investment Sub Committee review the absolute performance, relative performance against a suitable index used as a benchmark, and against the manager's stated target performance (over the relevant time period) on a net of fees basis. The Investment Sub Committee and Trustee's focus is on long term performance, and are not looking to change the investment arrangements on a frequent basis, but will look to discuss a manager's ongoing suitability for the Scheme if there are short term performance concerns.

The Investment Sub Committee meet with the investment managers approximately once a year to discuss performance, asset allocation and outlook. Where applicable they will also consider the manager's internal controls documents, Stewardship Code statement, voting record, responsible investment policy and net zero commitments.

5.3 Manager Turnover

There is no set duration for the manager appointments, except the closed ended funds for Infrastructure and Sustainable Opportunities and one of the Secured Finance mandates. Investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then it will look to review and if necessary replace the manager. Whilst the input of the Investment Consultant's forward looking view will be considered it does not drive decision making. A change may also be made due to a strategy change.

For investments in closed-ended funds the Scheme is expected to be invested in a manager's fund for the lifetime of the fund. At the time of appointment, the investment managers provided an indication of the expected investment duration of their funds and have the discretion to extend the lifetime of the fund in line with the Investment Management Agreement.

5.4 Portfolio Turnover Costs

The Investment Sub Committee and Trustee do not currently monitor portfolio turnover costs but will where applicable ask the investment managers to provide information when they present at the Investment Sub Committee meetings. The Investment Sub Committee will engage with a manager if portfolio turnover is higher than expected. The Investment Sub Committee assesses investment performance net of the impact of the costs of trading, expenses and management fees.

5.5 Responsible Investment and Corporate Governance (Voting and Engagement)

The Trustee has a Responsible Investment Policy that sets out how the Scheme manages sustainability risks and opportunities, including ESG factors. The Trustee believes that ESG issues have a financially 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 require explicit consideration. As a result, within the Accruing Section's investment strategy, the equity allocation is invested in a global equity mandate which focuses on managing ESG risks, and includes a decarbonisation pathway which aims to align the fund to be net zero by 2050. In addition, the Low Dependency's investment strategy includes a Sustainable Opportunities mandate, which focuses on investing in companies that target solutions in sustainability themes.

Where relevant to the manager's mandate, the Trustee has given them full discretion in evaluating ESG factors, including climate change considerations. In addition, they have delegated to the investment managers engagement with companies, and exercising voting rights and stewardship obligations attached to the investments, including considering climate change impacts. At each Investment Sub Committee meeting, where applicable the Committee receives from the investment manager details of their stewardship policies, their published Stewardship Code report and details of their voting and engagement activities. Investment managers will provide examples of their engagements with companies when presenting to the Investment Sub Committee, providing an opportunity for the Committee to question them on their activity.

The Trustee has discussed voting and engagement in the context of ESG and considers climate change to be their priority. Whilst they do not seek to influence the manager's voting and engagement decisions, the Investment Sub Committee will discuss, as appropriate, with each manager their approach to climate change with the companies they invest in. Details of the investment managers' engagement activity is outlined within the annual Engagement Policy Implementation Statement published by the Trustee. This also includes details of the votes the Trustee considers "significant votes" made by the managers. The Trustee currently considers significant votes:

- To relate to companies that represent at least 1% of the fund in question as at the date of the vote (a greater proportionate holding is likely to have a greater impact on the fund's performance over time); or
- To be linked to the stewardship priority of climate change; or
- Where the investment manager has indicated the vote was of particular significance to them.

The main voting rights are attached to the LGIM and Ruffer investments – see the IPID for more detail of their specific mandates. Further information on their voting and engagement activity, noting some information may not be directly relevant to the Scheme's investments, can be found at: https://www.lgim.com/uk/en/responsible-investing/active-ownership/ and https://www.ruffer.co.uk/en/About/Responsible-investing

The Investment Sub Committee and Trustee consider, amongst other factors, how ESG, climate change and stewardship is integrated within investment processes in appointing, monitoring and withdrawing from investment managers.

Member views are not taken into account in the selection, retention and realisation of investments, but members have a variety of methods by which they can make views known to the Trustee. This position is reviewed periodically.

6. 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.

The Trustee has a cashflow policy. Where appropriate, some of the mandates within the Low Dependency Section's investment strategy will be held in income/distributing share classes to assist in meeting cashflow payments. Should disinvestments be required by the Scheme administrators, the cashflow policy will outline which of the assets within the Low Dependency Section should be redeemed to raise cash. Contributions will, unless agreed otherwise, be invested in the Accruing Section as outlined in the cashflow policy.

The Trustee and Investment Sub Committee review the Scheme's asset allocation within the Low Dependency and Accruing Section strategies against their benchmarks and will consider the need for rebalancing or changes to the cashflow policy.

7. Compliance with this Statement

The Trustee will monitor compliance with this Statement regularly, and in any event will review this Statement at least once every three years and without delay after any significant change in investment policy. The Statement will also be reviewed in response to any material changes to any aspects of the Scheme and its liabilities, finances and attitude to risk of the Trustee and the Company which they judge to have a bearing on the stated investment policy. Any such review will be based on written expert investment advice and will be in consultation with the Trustee and the Company.