

Affinity Water Pension Plan – DB Section Implementation Statement for the year ending 31 December 2024

Welcome to the Trustee’s Statement of how it implemented the policies and practices in the Plan’s Statement of Investment Principles (SIP) during the year ending 31 December 2024.

This statement covers the DB section of the Plan. Information regarding the DC Section and Additional Voluntary Contribution (AVC) policies is provided in a separate document.

Introduction

This is the Trustee’s statement prepared in accordance with the requirements of Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and subsequent amending legislation, and those of the Pensions Regulator’s General Code of Practice. This statement sets out how the Trustee has complied with the Plan’s Stewardship Policy during the period from 1 January 2024 to 31 December 2024 and other policies and practices within the Statement of Investment Principles (“SIP”).

Overall, the Trustee is satisfied that:

- The Plan’s investments have been managed in accordance with the Plan’s Stewardship Policy during the period;
- The Plan’s investments have been managed in accordance with the Plan’s SIP; and
- The provisions of the SIP remain suitable for the Plan’s members.

For members in the DB section, the benefits you receive are on a defined benefit (“DB”) basis. That means the retirement benefits paid to you depend on your salary and service.

What is the Implementation Statement for?

Each year, the Trustee is required to prepare an Implementation Statement, which sets out how it has complied with the SIP during the last Plan year. The Trustee has worked with its Investment Advisor (“Advisor”) to ensure that their work and actions over the year have complied with the SIP and to produce this Implementation Statement.

What is the SIP?

The SIP sets out the investment principles and practices the Trustee follows when governing the Plan’s investments. It describes the rationale for selecting the investment strategy and explains the risks and expected returns of the funds used and the Trustee’s approach to responsible investing (including climate change).

This Implementation Statement is in respect of the SIP in place over 2024 – the SIP which was in place between 31 December 2023 and 11 December 2024, and an updated version which was signed by the Trustee on 11 December 2024. The Plan’s SIP between 31 December 2023 and 11 December 2024 was fundamentally the same as the DB section of the SIP signed on 11 December 2024 from an investment policy, objective and risk management perspective. The next review will take place no later than December 2027.

For convenience, the SIP is separated into two documents, one covering the DC section and one covering the DB section. **If you want to find out more, you can find the SIP (and the Chair's Statement on the DC section) at www.affinitywaterpensions.co.uk**

Overall, the Trustee is satisfied that:

- **The Plan's DB investments have been managed in accordance with the SIP during the period; and**
- **The provisions in the SIP remain suitable for the Plan's DB members.**

Trustee policies

To align with the Pensions Regulator's General Code of Practice, the Trustee is in the process of developing their governance arrangements that detail how they formulate the Plan's investment strategy in addition to the SIP. The Trustee is currently reviewing this, so the Trustee expects to make reference to them in future implementation statements, in line with recommended best practice.

How the Plan's DB investments are governed

The primary objective of the DB section of the Plan is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis.

The Trustee has overall responsibility for how the Plan's investments are governed and managed in accordance with the Plan's Trust Deed and Rules as well as Trust Law, Pensions Law and Pension Regulations. The Plan applies a governance structure as set out in the SIP, including various sub-committees to ensure effective oversight and delegation. The Trustee has established an Investment and Funding Committee ("IFC"), which focuses on investment issues.

In particular, the IFC monitors, appoints and removes investment managers, considers tactical investment opportunities, manages the relationship with the Trustee's investment advisors and makes recommendations to the Board on investment strategy and the DB SIP. The IFC also manages the relationship with the actuary, makes recommendations to the full Trustee Board on actuarial valuation assumptions, and monitors the recovery plan and schedule of contributions. This process was unchanged over the period and the Trustee is comfortable that this was effective over the period and remains appropriate.

Both the Trustee and IFC receive advice from their investment and actuarial advisors, Hymans Robertson LLP. Eversheds Sutherland LLP acts as the Trustee's legal advisor.

Through the IFC, ongoing dialogue with the Sponsor is maintained to ensure all parties are aware of the current approach for assessing and managing investment and actuarial issues.

The IFC will meet at least three times a year at appropriate times in the reporting and audit cycle. Over 2024, the IFC met 4 times. The meetings are minuted to capture the proceedings and decisions made, which are then circulated to the full Trustee Board.

There have been no changes to the governance processes during the last year.

The Trustee monitors how well its Advisor meets the objectives agreed with them, which are designed to align with the Trustee's objectives and investment strategy set out in the SIP. The Trustee has the following DB objectives with the Advisor:

- Advise on a suitable investment strategy, and amendments to the strategy, to deliver the required investment returns from the Plan's investments to support the long-term funding objective;

- Implement a strategy, and amendments to the strategy, that delivers the target returns whilst minimising the associated risk;
- Maintain progress along the agreed journey plan and advise on potential solutions if the journey plan is not on track;
- Deliver an investment approach that reflects the Plan's cashflow position, and likely evolution, and minimises the risk of forced disinvestment;
- Provide advice on cost efficient implementation of the Trustee's strategy, including but not limited to advice on the use of suitable benchmarks, active or passive management, selection of managers;
- Provide relevant and timely advice;
- Develop Trustee knowledge and understanding of the Plan's investment strategy, its implementation and investment matters;
- Provide suitable reporting for the Trustee to understand the Plan's progress towards its investment objectives;
- Ensure advice complies with relevant pensions regulations, legislation and supporting guidance;
- Ensure the Trustee meets the relevant pensions regulations and legislation relating to investment, including the Plan's SIP and approach to responsible investment.

The IFC carried out an evidence-based review of the Advisor's performance against these objectives in December 2024 and was satisfied that they had been achieved for the year. This involved rating the Advisor against the different objectives using a scoring framework and feedback from the IFC and Trustee throughout the year.

To facilitate meeting those objectives, the Trustee undertook the following training during the last year to ensure that their knowledge of investment matters remains up to date:

Table 1 – DB-related Trustee training over the 12-month period to 31 December 2024

Date	Topic	Aim	Trainer
March 2024	General Code	A training session on General Code updates to the full Trustee Board. The session covered an overview of the incoming General Code and impact to the Plan.	Eversheds
June 2024	Pensions accounting, assurance, and regulations	A training session on Audit, Accounts and Annual reports was delivered to the full Trustee Board. The session covered climate change governance and reporting, General Code, TPR Statement of Strategy and pensions dashboard.	KPMG
September 2024	DB Funding Code	A training session on DB Funding Code was delivered to the full Trustee Board. The session summarised the requirements of the code and relevant updates, and where it fits alongside other DB governance requirements.	Hymans Robertson

Date	Topic	Aim	Trainer
September 2024	Conversance	A training session was delivered to the full Trustee Board on a Trustee's responsibility to be conversant with relevant governance requirements. The session covered key legislation (such as Trust Law and the General Code), and key areas of powers and responsibilities of a Trustee.	Eversheds
December 2024	Board Effectiveness	A training session on Trustee effectiveness was delivered to the full Trustee Board. The session covered areas such as Trustee roles in meetings and decision-making, the role of the governing body, the relationship with the sponsor, and risk management.	Eversheds

The Trustee is satisfied that during the last year:

- **The Plan's DB governance structure was appropriate;**
- **The Trustee has maintained its understanding of investment matters; and**
- **Its Advisor met the agreed objectives.**

How the investment strategy is managed

The objectives and rationale for the investment strategy is set out in the Plan's current SIP on pages 1 and 2. The Trustee is currently reviewing the long-term objective of the Plan and the subsequent implications on the investment strategy. These discussions are ongoing with the Sponsor.

How investments are chosen

The Trustee has developed a set of investment beliefs which it uses as a guide when making investment decisions.

The Trustee has considered the duration of the Plan's liabilities when choosing and reviewing the funds.

The Trustee reviews the performance of its manager and mandates on a regular basis against a series of metrics, including, but not limited to, financial performance against the benchmark and objectives of the mandate and the management of risks. Material deviation from performance or risk targets is likely to result in the mandate being formally reviewed.

The Trustee monitors the performance of the funds used by the DB section of the Plan by:

- Reviewing of quarterly investment performance reports;
- Meeting with the managers on a periodic basis;
- Engaging with the Advisor.

Over the year, the Trustee monitored fund performance relative to the manager's respective benchmarks and targets on a quarterly basis. The Trustee is comfortable with the current positioning of the Plan's asset allocation.

The Trustee is satisfied that during the last year:

- **The Plan's overall investment strategy was appropriate;**
- **The actions taken by the managers to navigate market conditions were appropriate.**

The expected risks and returns in the DB section of the Plan

The investment risks relating to the DB section are described in the SIP on pages 4 and 5, and the expected return is described on pages 4 and 5 of the SIP. The Trustee believes that the main investment risks affecting the Plan have not changed materially during the year. The Trustee's views on the expected return of specific asset classes have also not changed materially during the year.

The Trustee's views on the expected levels of investment risks and returns inform decisions on the strategic asset allocation (i.e. what type of assets and areas of the world the Plan invests in over the longer-term), and the style of management adopted by the Plan.

The Trustee is satisfied that the current expected rates of investment return for the types of funds described in the SIP are still reasonable relative to the risks that the Plan faces.

The Trustee is satisfied that, through a diversified portfolio, systemic risk can be mitigated, and accept that it is not possible to make specific provision for all possible eventualities.

Ability to invest / disinvest promptly

It is important that member benefits can be received promptly, and that the Plan's investments can be realised quickly if required, as set out on page 6 of the SIP. The Trustee also ensures that the Plan has a robust process for the administration team processing cash payments to/from the Plan and to/from the investment funds.

The Trustee is satisfied that money can be invested in and taken out of the majority of DB investments without delay, as set out in the SIP.

Portfolio turnover within funds

The Trustee monitors the performance of the assets net of costs on a quarterly basis and any material deviation in performance relative to target returns or benchmarks will warrant an investigation into the activity carried out by the fund manager, including the buying, and selling of assets. In this way, the Trustee indirectly monitors portfolio turnover and the associated transaction costs.

Over the last Plan year, the Trustee monitored short-, medium-, and long-term fund performance relative to the manager's respective benchmarks and targets on a quarterly basis, utilising reports prepared by their investment advisors. The Trustee has continued to engage regularly with all managers to monitor the relevant actions being taken by managers.

Portfolio turnover for the Plan's assets over the year to December 2024 is provided in Table 2.

Table 2: Annual portfolio turnover for the Plan's open-ended funds over the year to 31 December 2024

Open-ended funds	Annual portfolio turnover
LGIM – RAFI Fundamental Global Reduced Carbon Pathway Index Fund*	1.9%
M&G – European Loan Fund (ELF)	17.9%
Insight – High Grade ABS Fund	33.1%
Insight – Liquid ABS Fund	34.4%
Insight – Global ABS Fund	46.9%
Insight – Secured Finance II Fund	35.4%
Insight – Buy & Maintain Sub-Portfolio	12.2%
Insight – LDI**	15.3%

Source: Investment Manager.

**2024 figure estimated based on data for the 12-month period to 30 September 2024 as information to 31 December 2024 had not been released by the manager at the time of writing.*

***Turnover figures reflect the purchases/sales of gilts within the LDI sub-portfolio only.*

Short-term changes in the level of turnover may be expected when a manager alters its investment strategy in response to changing market conditions. However, a change in the level of portfolio turnover might indicate a shift in the amount of risk the manager is taking, which could mean that a fund is less likely to meet the objectives for which it was chosen by the Trustee. In 2024, the turnover across the pooled funds has been maintained around long-term norms. The Trustee is satisfied that the level of trading carried out by the fund managers has been consistent with the funds' objective.

The Trustee carried out a review of investment costs, including transaction costs as a result of turnover, incurred across the portfolio over the 12-month period to 31 March 2024. Results from the review have shown that the investment costs over the period have continued to decrease compared with the fees previously reported to the Trustee, with total costs incurred by the Plan at c.£1.5m (c.0.4% of assets). The Trustee carries out this review on an annual basis.

Over the year, the Trustee has monitored performance for all the funds on a quarterly basis and discussed performance with the Plan's Advisor. The Trustee has not identified any instances of material deviations in performance, which would warrant any further investigation into portfolio turnover. As a result, the Trustee is satisfied with the degree of portfolio turnover over the period.

Security of the assets

In addition to the normal investment risks faced when investing in the funds used by the Plan, the security of funds in the Plan depend upon:

- The financial strength of the fund managers; and
- The legal structure of the funds the Plan invests in.

The financial strength of the fund managers has a bearing on the risk of losses to the Plan's members caused by the remote chance of one of these institutions getting into financial difficulties. The legal structure of the funds used has a bearing on the degree to which the funds' assets are "ring-fenced" from the rest of the fund managers' business in the unlikely event that the manager becomes insolvent.

There have been no changes to the structure of the funds used by the Plan during the last year. The Trustee is not aware of any material changes in the financial strength of the fund managers over the year.

Conflicts of interest

As described on page 8 of the SIP, the Trustee considers potential conflicts of interest by:

- Maintaining a register of interest for Trustee directors and its Advisor, which is regularly reviewed;
- Ensuring that the investment managers have appropriate conflicts of interest policies in place; and
- Considering the impact of any conflicts of interest arising in the management of funds used by the Plan, when given notice.

The Trustee expects the fund manager to invest the Plan's assets in the members' best interests. With the aim of ensuring long-term, sustainable returns to provide benefits to the Plan's members, the fund managers are expected to exercise voting power (where applicable) with the objective of preserving and enhancing long-term shareholder value. The Trustee meets regularly with its fund managers to monitor their performance and conflicts

of interest, whilst asking them to evidence the implementation of environmental, social and governance risk factors into their investment decision-making, including voting rights. A summary of Trustee engagement activity with investment managers over the year is outlined in Table 5.

The Plan's asset managers have conflicts of interest policies in place. The managers have not disclosed any potential or actual conflict over the period. The Trustee formally asks managers to confirm any conflicts of interest periodically.

The Trustee is satisfied that there have been no material conflicts of interest disclosed during the year which might affect members' benefit expectations or the running of the Plan.

Manager incentives

As described on pages 2 and 3 of the SIP, the Trustee seeks to ensure that the fund managers are suitably incentivised to deliver investment performance in keeping with the funds' stated benchmark or target. The Trustee monitors the actual fees paid to the managers on a quarterly basis and compares the actual fees paid to estimates set at the start of the year. The Trustee also monitors its fund managers' performance against their respective benchmark or target on a quarterly basis over a 3-year time horizon and expects managers to explain any major deviations.

The Trustee will periodically formally ask managers to confirm any changes to their internal remuneration policy when managers meet with the Trustee.

The Trustee is satisfied that the fees paid to managers over the year were appropriate and that the managers are suitably incentivised to deliver good outcomes for the Plan.

Responsible Investment

The Trustee believes that managing the risks that environmental factors (including climate change), social factors (such as the use of child labour) and corporate governance behaviour, collectively called "ESG" factors, can have on the value of the Plan's investments is important.

The Trustee believes in the principles of responsible investment, which means that it expects its investment managers to consider environmental, social and governance ("ESG") factors in investment decision-making and take an active role as a steward of its capital. In practice, this may mean understanding how an investee company affects or is dependent on social and environmental systems, and how this can have material financial implications over the long term. From this perspective, the Trustee believes capital value is best protected, and this approach supports the Plan's investment objectives and members' best interests.

Over 2024, the Trustee formalised the Plan's approach to responsible investing by implementing a set of Responsible Investment ("RI") Beliefs. This reflects that the Trustee believes that ESG factors can impact the long-term performance of investments over the expected time horizon of the Plan. The RI Policy was developed in consultation with the Trustee's Advisor. This Policy builds on the principles set out within the SIP and provides more detail on implementation and monitoring.

The Trustee recognises the importance of assessing whether the RI Policy is being effectively implemented. Therefore, the RI Policy will be reviewed periodically and can be provided on request. The Trustee is also considering implementing a set of engagement priorities which the Trustee plans to use to demonstrate impact in this area.

Policy implementation

The Trustee formalised its approach to Responsible Investment by implementing a Responsible Investment Policy. The Trustee will use this Policy to inform decision making moving forward.

As a result, the Trustee is currently considering its approach to sustainable investing. For the year, the Trustee is satisfied that the Plan's investments were invested in accordance with the policies on sustainable investing and consideration of financially material factors set out in the SIP.

In line with the SIP, no specific actions over the past year have been considered with respect to non-financially material factors in the development and implementation of the Plan's investment strategy. As outlined on page 7 of the SIP, the Trustee has delegated voting and engagement activity in respect of the underlying assets to the Plan's investment managers. The Trustee believes it is important that its investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Trustee's own engagement activity is focused on its dialogue with the investment managers which is undertaken in conjunction with the Advisor. The Trustee meets regularly with its managers and the Trustee considers managers' exercise of their stewardship both during these meetings and through reporting provided by the Advisor. Over the past 12 months, the Trustee has met with two of its six DB section managers. This information is shown in Table 5.

Stewardship policy

The Trustee's Stewardship (voting and engagement) Policy sets out how the Trustee will behave as an active owner of the Plan's assets which includes the Trustee's approach to:

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustee monitors and engages with its investment managers and any other stakeholders.

The Plan's Stewardship Policy can be found within the Plan's SIP on page 7. No changes were made to the Stewardship Policy during the scheme year.

The Trustee has adopted a policy of delegating voting decisions on stocks to their investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value. The investment managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy. A link to the investment managers' voting policies can be found in the Appendix.

Within the quarterly investment monitoring reports, the Trustee monitors each investment manager's ability to ensure that each manager considers environmental, social and governance risk factors into their investment decision making process and exercise good stewardship over the underlying holdings. The Trustee monitors the extent to which the investment managers do this through dialogue with the investment manager at quarterly meetings and via Responsible Investment ratings which are provided by the Advisor. Over the year, the underlying methodology for Responsible Investment ratings provided was updated to reflect a firm level assessment of each manager's approach to responsible investment – this led to the downgrading of one fund invested by the Plan.

The Plan is not a part of investor collaborations or initiatives itself but does recognise that such efforts can be supportive of the Plan's investment objectives. As such, the Trustee welcomes that its appointed investment managers (and Advisors) are active participants in relevant groups – be this to support overall well-functioning financial markets or through focussed thematic engagement efforts. This is consistent with its approach of delegating certain rights and responsibilities and is considered to be a component of an investment manager's stewardship efforts.

The Plan's investment managers list the initiatives that they are part of in their Stewardship Code submissions and on their websites. As this participation is extensive in each case, a full list is not presented here. As the Trustee now has defined RI Beliefs, and has a future objective to set itself stewardship priorities, it plans to assess how its investment managers align with expectations on these topics over the coming period through engagement at IFC meetings.

At present, the Trustee does not have any stewardship priorities or themes in place. The Plan's Stewardship Policy is reviewed on a periodic basis, in line with the Plan's SIP review. The Trustee has committed to reviewing the managers' stewardship policies on a periodic basis.

The Trustee is satisfied that the rights and responsibilities that are delegated to asset managers are being acted upon in a satisfactory manner.

Voting Activity

The Trustee periodically reviews the fund managers' approaches to stewardship including voting and engagement policies. The voting process has not changed over the year with responsibility for investment decisions delegated to the investment managers. Where managers are responsible for investing in a new issuance, the Trustee expects the manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The Trustee seeks to ensure that its managers are exercising voting rights, and where appropriate, to monitor manager voting patterns. The Trustee also monitors investment managers' voting on particular companies or issues that affect more than one company.

Based on the information provided by the managers, voting statistics are provided in Tables 3 and 4. The reported information is based on full disclosure by LGIM and M&G as the only positions within the Plan's portfolio with equity positions and therefore voting rights. The Trustee does not believe that any information is missing.

The managers have been unable to provide a breakdown into type of issue, including environmental, social and governance issues, for this statement.

The M&G Debt Opportunities Fund III focuses on distressed investments which involve taking equity and debt positions in significantly underperforming companies. Therefore, the manager often takes majority control of its assets and liaise with top management on a regular basis. Consequently, any vote presented to the board has already been discussed with the manager which means it is not a mandate with conventional voting rights. The mandate does not make use of a proxy voting service.

Table 3: LGIM voting data for the year to 31 December 2024

LGIM RAFI Fundamental Global Reduced Carbon Pathway Index Fund	
Proportion of Plan's DB assets as of 31 December 2024	6.5%
Did the manager employ the house voting policy in managing the fund?	Yes
Was use made of any proxy voting service during the year?	Yes – LGIM uses Institutional Shareholder Services' (ISS) electronic voting platform to electronically vote clients'

	shares. All voting decisions are made by LGIM.
No. of meetings eligible to vote at during the year	3,411
No. of resolutions eligible to vote on during the year	38,104
% of resolutions voted	99.7%
% of resolutions voted with management	79.8%
% of resolutions voted against management	19.1%
% of resolutions abstained	1.1%
% of meetings with at least one vote against management	65.7%

**Numbers may not sum to 100% due to rounding differences. Source: Investment Manager*

Table 4: M&G voting data for the year to 31 December 2024

Debt Opportunities Fund III	
Proportion of Plan's DB assets as of 31 December 2024	1.4%
Did the manager employ the house voting policy in managing the fund?	Yes
Was use made of any proxy voting service during the year?	No
No. of meetings eligible to vote at during the year	23
No. of resolutions eligible to vote on during the year	36
% of resolutions voted	100%
% of resolutions voted with management	100%
% of resolutions voted against management	-
% of resolutions abstained	-
% of meetings with at least one vote against management	-

** Numbers may not sum to 100% due to rounding differences. Source: Investment Manager*

Significant votes

The Trustee has asked its managers to report on the most significant votes cast within the portfolios they manage on behalf of the Trustee. Managers were asked to explain the reasons why votes identified were significant, the size of the position in the portfolio, how they voted, any engagement the manager had undertaken with the company and the outcome of the vote. The majority of public companies hold their Annual General Meeting (AGM) during the second quarter of each year.

Based on the information provided by the managers, the most significant votes undertaken on behalf of the Trustee are outlined in the Appendix. All significant votes are via the Plan's equity manager, LGIM. The Plan's other mandate with voting rights (M&G DOFIII) does not have a process in place to record significant votes although voting within this mandate is expected to be limited given the size and number of remaining positions. The M&G DOF III mandate is not an equity manager with conventional voting rights and so it may be more difficult to determine votes with particular significance.

Significant votes can be determined by alignment with any key stewardship priorities or themes identified by a scheme, and/or defined as those that have a large relative size of holding in portfolio, potential impact of vote on company, profile of resolution, among others. At present, the Plan does not have any key stewardship priorities or themes. Therefore, the Appendix provides a list of significant votes that are defined as those with a large relative size of holding in the portfolio, potential impact of vote on company, or profile of resolution, among others. When

collating the information, the Trustee assesses the significant votes that are recorded and engages with Legal & General Investment Management (“LGIM”) as appropriate where there are concerns.

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. LGIM do not engage with investee companies in the three weeks prior to an AGM as LGIM note that their engagement is not limited to shareholder meeting topics. For each of the significant votes listed, LGIM have confirmed that they will continue to engage with the investee companies, publicly advocate their position, and will monitor company and market-level progress on the issues considered. Links to LGIM’s engagement and voting policies can be found in the Appendix.

The Trustee is satisfied that the fund managers’ activity over the period remains aligned with the Stewardship Policy described in the SIP.

Engagement activity

The Trustee holds meetings with its investment managers on a regular basis where stewardship issues are discussed in further detail. The Trustee asks all of its managers to provide examples of how they have integrated ESG considerations into the ongoing management of the respective funds, challenging them and asking the manager to provide further evidence if appropriate.

Over the year, the Trustee met with two of its six DB investment fund managers, meeting with M&G and Insight, and met with the Plan’s custodian, Northern Trust. Two of the other four managers it did not meet (DWS and Patrizia) manage funds that are currently in wind down and represent a minimal proportion of the Plan’s assets. The Trustee met with Insight twice over the period as the Plan’s primary investment manager representing a majority of the Plan’s assets. The Trustee plans to meet with Partners Group and LGIM in the coming period.

Table 5: Trustee’s engagement activity with investment managers over the year to 31 December 2024

Date	Fund manager	Subject discussed	Outcome
7 March 2024	M&G	<ul style="list-style-type: none"> ELF market update, portfolio activity and performance update. DOF III activity and portfolio update, including an estimated distribution profile for five remaining assets. Expectations of further extension required to December 2025. Update on RI and stewardship policies and ESG integration within the funds. 	<ul style="list-style-type: none"> The IFC found the update useful and provided transparency on the current position of both funds. Following the meeting, M&G formally requested a 1-year extension for DOFIII to 31 December 2025. The IFC decided to vote in favour of the fund life extension. Management fees have been reduced to nil. The IFC had no further actions for M&G following the meeting.
16 May 2024	Insight	<ul style="list-style-type: none"> Gilt and corporate bond market update. Update on the LDI collateral pool and current regulatory guidance on LDI collateral buffer. Usage of credit repurchase agreements and other derivative instruments. 	<ul style="list-style-type: none"> The IFC were satisfied with the presentation provided. They noted that the session was informative and had a greater understanding on how the Plan could incorporate a net zero objective and engagement priorities.

Date	Fund manager	Subject discussed	Outcome
		<ul style="list-style-type: none"> Portfolio management review of the LDI and Buy & Maintain sub-portfolios. ESG integration, including net zero alignment, within the portfolios was discussed. The IFC asked Insight to provide an update following the announcement that two portfolio managers are leaving the firm. 	<ul style="list-style-type: none"> The IFC requested that Insight could share more information on their changes within the Secured Finance team. The IFC also requested that the Plan's RI Policy and prospective net zero target be translated into specific investment guidelines that can be incorporated into the ongoing management of the mandate – noting this will be finalised following conclusion of the actuarial valuation and strategy discussions.
10 September 2024	Insight	<ul style="list-style-type: none"> Discussion around long-term strategy and objective of the Scheme and LDI/CDI solution. Including impact and implementation around decision to extend Plan objective beyond 2028 and possible generation of surplus. 	<ul style="list-style-type: none"> The IFC found the discussions around strategy helpful to illustrate the options available. It was noted Sponsor approval would be required for any decision and an action was taken to discuss with the incoming Sponsor's CFO.

Summary of manager engagement activity

The following table summarises the key engagement activity for the DB managers over the year. LGIM have provided the geographic breakdown of their engagement information for the Plan's equity holdings. For the Plan's other investment managers, this information has not been provided. At present, the Trustee does not have any stewardship priorities or themes in place and therefore has not detailed how effective the manager's activities were in achieving the Trustee's aims.

Table 6 – Summary of management activity

Fund	Number of engagements	Topic engaged on
LGIM - RAFI Fundamental Global Reduced Carbon Pathway Index Fund	<p>3,411 eligible meetings to vote at.</p> <p>38,104 eligible resolutions to vote on (voted 99.7%).</p> <p>The fund manager made a total number of 1,854 engagements over the year, with 1,114 unique companies engaged with equating to 71% of the fund value.</p> <p>A geographic breakdown of engagements (based on primary</p>	<p>Engaged on a wide range of Environmental, Social and Governance factors.</p> <p>Of 1,854 engagements, the areas with largest number of engagements by the manager were: Climate impact pledge (928), Human rights (285) and capital management (119).</p>

Fund	Number of engagements	Topic engaged on
	<p>geographic region) is broadly as follows:</p> <p>12% Asia-Pacific</p> <p>24% Emerging Markets</p> <p>19% Europe</p> <p>8% Japan</p> <p>32% North America</p> <p>4% UK</p> <p>1% (unknown)</p>	
M&G - Debt Opportunities Fund III	<p>23 eligible meetings to vote at.</p> <p>36 eligible resolutions to vote on (voted 100%).</p> <p>The manager has actively engaged with 3 of 5 issuers in the fund over the year (covering 99.9% of NAV).</p> <p>In determining their vote a number of factors will be taken into consideration including M&G's voting policy, company specific information and the extent to which M&G have been able to obtain additional information to make an informed decision. Ultimately, every proposal will be evaluated on its merits, based on circumstances relevant to each individual company.</p>	<p>Management changes (including changes to CFO and Chairman), changes to the capital structure, votes on divestment of company assets and distribution to shareholders.</p>
DWS - Pan European Infrastructure Fund III	<p>No voting rights for the fund.</p> <p>The manager has been unable to provide engagement data at Fund level so has provided the data at Firm level. At time of writing 2024 has not been release, however DWS has provided data for 2023.</p> <p>In 2023, at a firm-wide level, DWS Group voted at 5,563 general meetings of more than 4,000 investee companies.</p>	<p>Key areas for engagement include: Net Zero (344), Executive compensation (315), climate change management (164) and water (113) – noting engagements may cover multiple themes.</p>

Fund	Number of engagements	Topic engaged on
	In 2023, the manager held 624 engagements with 541 investee companies.	
Patrizia - TransEuropean Property V	No voting rights for the fund. The TransEuropean V Limited Partnership is currently in the process of winding down. There are currently no standing assets left in the fund.	Report & Accounts, appointment of auditor, quarterly fund review and progression of wind-up.
M&G - European Loans Fund	No voting rights for the fund. M&G's leveraged finance team carried out 28 engagements across 13 issuers and 1 sponsor, covering c.10% of the companies held across the entire strategy. There were 14 engagements on Social topics, 12 on Environmental and 2 on Governance. M&G's Stewardship and Sustainability team attend the engagement meetings alongside the fixed income team.	Key areas for engagement include: Net Zero/Decarbonisation (32%), Diversity & Inclusion (21%), cybersecurity (11%).
Partners Group - Multi Asset Credit 2017	The fund has voting rights but given the minority positions Partners do not determine nor influence the vote. The fund is currently in its realisation (run-off) phase and currently holds an active portfolio of 13 loans at end 2024. The manager has actively engaged with 4 issuers in the fund over the year.	Realisation of first and second lien debt.
Insight segregated account (Buy and maintain bonds, LDI, secured finance and asset-backed securities)	No voting rights for this account. Within the Buy and Maintain portfolio, Insight conducted 67 engagements with 37 issuers, equivalent to 48% of the portfolio's assets. Within the LDI portfolio over 2024, Insight issued a sustainability questionnaire to c.95% of Insights total counter party exposure – to date they	Climate change, natural resource use/impact (including water and biodiversity), pollution, ESG data provision, Board effectiveness and leadership remuneration.

Fund	Number of engagements	Topic engaged on
	<p>have held 13 engagements with 9 counterparties.</p> <p>Within the Secured Finance II Fund and the pooled asset-backed securities funds (Liquid ABS, High Grade ABS and Global ABS), the manager engaged with c.50 issuers with a total of c.160 engagements. The issuers whom Insight engage with across these funds are broadly the same.</p>	

Source: Investment Manager

The Trustee is satisfied that the fund managers' voting and engagement activity over the period remains aligned with the expectations of the Trustee, and is in the members' best interests.

More information

The Trustee hopes this statement helps you understand how the Plan's DB investments been managed over the year.

If you want any more information on how the Plan is run, please visit www.affinitywaterpensions.co.uk. If you have any questions, please contact Hymans Robertson on 0207 082 6182 (affinity@hymans.co.uk).

Appendix – LGIM and M&G voting policy

LGIM

<https://www.lgim.com/uk/en/responsible-investing/investment-stewardship/>

https://prod-epi.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-uk-corporate-governance-and-responsible-investment-policy.pdf

M&G

https://www.mandg.com/~/_media/Files/M/MandG-Plc/documents/mandg-investments/2024/m-and-g-investments-esg-integration-and-sustainable-investing-policy.pdf

https://www.mandg.com/~/_media/Files/M/MandG-Plc/documents/responsible-investing/responsible-investment/2025/mg-investments-voting-policy-2025.pdf

Appendix - LGIM significant votes for the year to 31 December 2024

Date	Company	% of LGIM RAFI	Subject (theme and summary)	Manager's vote and rationale	Why considered significant	Outcome	Lessons Learnt and Next Steps
28/02/2024	Apple Inc	2.3	Report on the risks of omitting viewpoint and ideological diversity from EEO Policy (Social)	LGIM voted against the resolution as the company appeared to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts.	LGIM views diversity as a financially material issue for clients, with implications for the assets they manage.	Fail	LGIM will continue to engage with investee companies and monitor company and market-level progress.
07/06/2024	Alphabet Inc.	1.5	Resolution 1d – Elect Director John L. Hennessy (Social)	LGIM voted against the resolution. LGIM expects a board to be refreshed regularly to maintain an appropriate mix of independence, relevant skills, experience, tenure and background.	LGIM considers this vote significant as they view gender diversity as a financially material issue for clients, with implications for the assets managed on their behalf.	Pass	LGIM will continue to engage with investee companies and monitor company and market-level progress.
10/12/2024	Microsoft Corporation	1.3	Report on AI Data Sourcing Accountability (Governance)	LGIM voted for the resolution citing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. LGIM believe shareholders would benefit from greater attention to risks.	High Profile meeting: LGIM considered this shareholder resolution as significant due to the relatively high level of support received, and high profile of meeting and subject.	Pass	LGIM will continue to engage with investee companies and monitor company and market-level progress.

Date	Company	% of LGIM RAFI	Subject (theme and summary)	Manager's vote and rationale	Why considered significant	Outcome	Lessons Learnt and Next Steps
21/05/2024	Shell Plc.	1.0	Resolution 22- Approve the Shell Energy Transition Plan (Environmental)	LGIM voted against this resolution as they expect the company to better demonstrate how their plans are consistent with a transition to net-zero emissions by 2050.	LGIM considers this vote to be significant as they expect transitions plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario.	Pass	LGIM will continue to engage with investee companies and monitor company and market-level progress.
24/04/2024	The Goldman Sachs Group Inc.	0.3	Resolution 8- Report on Clean Energy Supply Financing Ratio (Environmental)	LGIM voted for the resolution. A vote in favour is applied as LGIM expect a company to be undertaking appropriate analysis and reporting climate change matters.	LGIM believes that banks and financial institutions have a significant role to play in shifting away from 'brown' to funding the transition to 'green'.	Fail	LGIM will continue to engage with investee companies and monitor company and market-level progress.