Affinity Water Pension Plan

Annual Statement by the Chair of the Trustee for the period covering 1 January 2024 to 31 December 2024 (the "Plan Year")

For defined contribution ("DC") members and defined benefit ("DB") members with additional voluntary contributions ("AVCs").

What's this Statement for?

It's important that you can feel confident that your savings in the Affinity Water Pension Plan ("the Plan") are being looked after and give good value.

This Statement sets out how, we, Affinity Water Pension Trustees Limited (the "Trustee") have managed the Plan during the Plan Year and what the Trustee aims to do in the coming year.

A copy of this Statement, together with other key documents explaining how the Plan is managed, is posted on-line at www.affinitywaterpensions.co.uk

What's in this Statement?

We've included information on the following areas in this Statement:

1 **How we manage the Plan** – who the Trustee Directors are and what guides our decision-making;

2 **Investment options** – what we have done to check the performance and suitability of the Plan's investment options in which members' funds are invested, especially funds used by members who don't want to make an investment choice (known as the "default arrangement"). We also disclose the asset allocation breakdown;

3 **Investment performance** – what returns have the investment options given over the last year;

4 **Cost and charges** – what costs and charges you have paid during the Plan Year and how these might affect the size of a typical member's savings in the Plan over time;

5 **Value for Members** – how the quality of the Plan's services that you pay for (including the investment returns on your savings) compares to other pension schemes;

6 **Administration** – how well the Plan has been administered, including how promptly and accurately key transactions (such as the investment of your contributions) have been processed;

7 **Trustee knowledge and understanding** – what we have done to maintain our level of knowledge and obtain the professional advice we need to look after the Plan for you; and

8 **Our achievements in the last year and plans for the next year** – what key actions we took during the Plan Year and what we aim to do in the coming year to continue to improve the Plan for all our members.

What were the highlights during the Plan Year?

1 How we manage the Plan

There are 6 members of the Trustee with a single professional trustee independent of the employer.

The Trustee met 4 times during the year for board meetings and 11 times for catchups. There are 3 subcommittees which met 4 times during the year.

The Plan's Statement of Investment Principles ("the SIP"), which sets out the Trustee's policies on how your contributions should be invested, was last updated in September 2024, to include the Trustee's policy regarding the default arrangement's investment in illiquid assets. The SIP was also updated to include the Trustee's renewed investment beliefs ahead of the 2024 investment strategy review. The SIP is included as Appendix 1 of this Statement.

The Plan's Implementation Statement describing how the Trustee has followed its policies set out in the SIP will be published at the same time as this Statement.

As at 31 December 2024 the DC Plan had 2,498 members and had an investment value worth a total of £85.2 million.

2 Investment options

A review of the Plan's default arrangement was carried out on 10 September 2024. It is intended that the next full review will be carried out no later than September 2027 or immediately following any significant change in investment policy or the Plan's member profile. The review concluded that the current default arrangement and other investment options meets the requirements of the Plan's membership and remains appropriate. For more details on the review please see section 2.

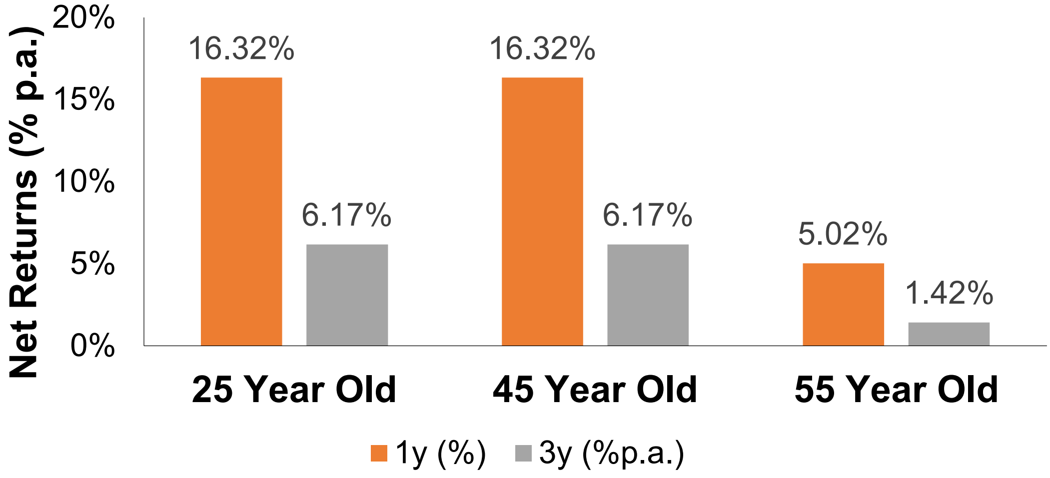
Following the investment strategy review in 2024, the Trustee agreed a number of changes to the default strategy to enhance member outcomes. However, the implementation of these changes was put on hold as the Trustee is currently assessing options for future proofing the Plan's operating model to ensure optimal member service.

3 Investment Performance

The FTSE All World Total Return Index rose 20.6% in local-currency terms over the year to 31 December 2024, continuing strong growth of 2023 and the global economy expanded at a solid pace. However, strong service-led US growth contrasted with modest growth in Europe, where global manufacturing weakness weighed on activity. The UK economy slowed from above-trend growth in the first half of the year amid uncertainty about government spending and tax rises. In China, subdued domestic consumption undermined export-driven growth as property-market weakness affected consumer and business confidence.

Sovereign bond yields generally rose, driven by growth, anticipation of inflationary policy and higher expected issuance to fund tax cuts. In the UK, the Autumn Budget added impetus to global yields.

The below graph shows the net of fees performance for members aged 25, 45 and 55 invested in the Plan's default arrangement over the 1-year and 3-year periods to 31 December 2024.



Source: Legal & General. Performance figures over 1 year are annualised.

The Trustee, with support from its advisers, considers the impact of investment performance on the ability to deliver good retirement outcomes and reviews performance on a quarterly basis.

Over the year to 31 December 2024 the funds used in the Plan's default arrangement saw investment returns between a rise in value of 1.04% (or, £10.40 for every £1,000 invested) to 16.32% (or £163.20 for every £1,000 invested), which were delivered by the L&G AAA-AA-A Corporate Bond All Stocks Index Fund and the Affinity Water Growth Fund respectively.

The investment returns produced by the funds in the default arrangement were all broadly in line or ahead of their individual objectives over the 1-year period to 31 December 2024, with the exception of the L&G Dynamic Diversified Fund and L&G Retirement Income Multi Asset Fund. Both funds failed to achieve their performance targets, returning 5.02% versus a benchmark of 9.69% and 4.56% versus a benchmark of 8.86% respectively over the period. The Trustee reviewed both funds in 2024 and has opted to remove these funds from the default arrangement, pending the agreement of the future Plan operational model.

4 Cost and charges

You pay for the Plan's investment management and transactions, the Plan's Sponsoring Employer pays for administration, communication and governance, and retirement costs are shared by you and your Employer.

We monitored the costs and charges going out of members' pension pots during the Plan Year.

The charges in the last year for the default arrangement were between 0.25% to 0.51% or put another way £2.50 to £5.10 for every £1,000 invested, depending on the number of years until retirement – which is well within the "charge cap" for auto-enrolment in our Plan required by the Government (0.75%).

There were no performance-based fees deducted from the default arrangement over the Plan Year.

5 Value for Members

Each year we look at the costs and charges you pay, as well as the range and quality of the services you pay for and see how they compare with similar pension schemes.

We found that the Plan gave good value during the Plan Year. Over the next year our main priority will be to maintain value for members by continuing to ensure performance is in line with our expectations, charges are competitive, and services are provided to agreed standards.

6 Administration

At our quarterly meetings we check that the administration of the Plan is going smoothly. We found that:

- All the key financial transactions were processed promptly and accurately by our administrators, Hymans Robertson LLP ("Hymans"); and
- The wider administration of the Plan was completed within the service standards we agreed with Hymans.

7 Trustee knowledge and understanding

It's important that we as Trustee Directors keep our knowledge of pension and investment matters up-to-date and have access to sound professional advice.

All Trustee Directors attended training sessions during the Plan Year on subjects such as the role of the General Code and other regulatory requirements, the role of post-retirement investment strategies and DC Plan operational and implementation models.

There have been no changes to the Trustee's advisers during the Plan Year.

Overall, we believe that we have the right skills and expertise, together with access to good quality professional advice, so that we can run your Plan properly.

8 Our achievements and plans for the next year

During the Plan Year we undertook the following actions (over and above "business as usual"):

- Received regular investment research updates and regulatory direction and alongside advisers reviewed options to enhance value for members;
- Received training on the DC investment strategy review process;
- Carried out the 2024 investment strategy review;
- Renewed our DC investment and responsible investment beliefs ahead of the 2024 investment strategy review;
- Received training on DC Schemes for new Trustees; and
- Received training on implementation and Plan operational models, including the implications of making changes to the current operating model.

In the coming year (which will be covered by the next Statement), we intend to:

- Implement changes and efficiencies identified as part of the review of optimal operating models for the Plan.
- Complete the implementation of agreed changes following the triennial investment strategy review with consideration to any changes identified as part of the review of the overall Plan operation model.

The rest of this Statement goes into more detail – please read on if you want to find out more about how we have managed your Plan in the last year.

Please note that the following data is outstanding at the time of this report. We will continue to work with the managers to ensure we receive this information for next year's Statement:

- Ongoing charges and transaction costs for the Prudential With Profits Fund.

We hope this Statement is of help to you planning for your future. 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 on: 0207 082 6182 (affinity@hymans.co.uk).

Introduction

Governance requirements apply to DC pension arrangements like the Plan, to help members achieve a good outcome from their pension savings. We are required to produce an annual statement describing how these governance requirements have been met.

For the record
This Statement regarding DC governance has been prepared in accordance with:

Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715) as amended by subsequent Regulations.

This Statement covers the period from 1 January 2024 to 31 December 2024 (the "Plan Year").

____ Date: ____________________

Signed by the Chair of Affinity Water Pension Trustees Limited

1 How we manage your Plan

As at 31 December 2024, the Trustee Board consisted of:

- Michael Calabrese
- Eddie Lintott
- Dina Pope
- Steve Spencer
- Thomas Stoten
- Independent Governance Group (represented by Hetal Kotecha)

The Trust Deed and Rules, which govern the Plan, were not amended during the Plan Year.

The SIP, which sets out the Trustee's investment policies for all DC arrangements (including the default arrangement), was last reviewed in September 2024 and reflected the finalisation of changes made to the DC investment strategy which began in April 2023. With the help of our advisers, we review the SIP at least every 3 years or following any significant changes to the Plan's investment strategy. The current SIP is included as Appendix 1 of this Statement.

An implementation statement setting out how the Trustee complied with the SIP during the year to 31 December 2024 has been published at the same time as this Statement.

2 Investment options

The default arrangement

The Plan's default arrangement ("the income drawdown lifestyle") is designed for members who join the Plan and do not proactively choose an alternative investment option. The Trustee is responsible for the governance of the default arrangement, which includes setting and monitoring its objectives and the investment strategy.

We decided that the default arrangement should be a lifestyle strategy that targets income drawdown of pension savings at retirement. This means that contributions are automatically moved between different funds as members approach their selected retirement date.

The main objective of the default arrangement (as stated in the Plan's SIP) is to facilitate good member outcomes at retirement, subject to a level of investment risk that is appropriate to the majority of members who do not make an alternative investment choice. The default arrangement has also been designed to allow members to flexibly access their pension savings in a manner and at a time of their choosing under current regulations.

We believe that the default arrangement is appropriate for the majority of the Plan's members because:

- It provides members with the opportunity for growth of their pension pot by investing predominantly in equities throughout the 'growth' phase;

- As members approach their selected retirement age, and their pot values become more significant, it introduces greater diversification of investments to reduce risk and provide some protection against equity market downturns; and
- In the final five years to a member's selected retirement age, it further diversifies the investments in order to provide members with flexibility as to how they access their benefits at retirement, which is important as experience generally across the pensions industry is that members rarely purchase a guaranteed income for life (known as an 'annuity').

We monitor the investment performance of the default arrangement on a quarterly basis against predetermined above inflation targets, whilst reviewing the underlying funds against their respective benchmarks. We also formally review investment performance against the objectives of the default arrangement and the suitability of the investment strategy at least every 3 years. The investment performance of these funds during the last year is shown in section 3 below and Appendix 4.

A full review of the performance and suitability of the default arrangement was carried out on 10 September 2024. It is intended that the next full review will take place by September 2027 or immediately following any significant change in investment policy or the Plan's member profile. The implementation of the outcome of the September 2024 investment strategy review was put on hold as the Trustee continued the ongoing review of the plan's operational model.

While we are satisfied that the default arrangement is appropriate for the majority of the Plan's members, the Trustee has identified a number of changes which are believed will enhance expected member outcomes. It is expected these changes will be implemented alongside any update to the Plan's operational and implementation model which are chosen as part of the ongoing review process.

In addition to the strategy review, the Trustee also reviews the performance of the default arrangement against its aims, objectives and policies on a quarterly basis. These reviews include an analysis of fund performance and member activity to check that the risk and return levels meet expectations. The reviews that took place during the Plan Year concluded that the default arrangement was performing broadly as expected and is consistent with the aims and objectives of the default arrangement as stated in the SIP.

Other default arrangements

In 2020 the L&G Cash Fund became an "inadvertent" default arrangement as a result of changes to the L&G Managed Property Fund. The L&G Managed Property Fund was temporarily suspended for transactions and members' contributions were invested in the L&G Cash Fund instead. From October 2020, the L&G Managed Property Fund suspension lifted and members were able to invest their contributions in this fund.

3 members were affected by this, whom we wrote to in October 2020 advising that trading had recommenced in the fund, and to ask if they wanted to move funds directed to the Cash Fund back into the Managed Property Fund. 1 member elected to do this. The remaining 2 members remain in the L&G Cash Fund as at 31 December 2024.

Asset allocation disclosure

From the first Plan year ending after 1 October 2023, the Chair's Statement must disclose for each of the Plan's default arrangements, the percentage of relevant Plan assets allocated to 8 asset classes, specified in the statutory guidance issued by the Department for Work and Pensions ("DWP").

The following table shows the asset allocation for the Plan's default arrangement for members of different ages, as at 31 December 2024. The asset allocation disclosure meets the DWP's statutory guidance (issued January 2023) to "Disclose and Explain asset allocation reporting and performance-based fees and the charge cap"

Asset class	Percentage allocation – average 25 y/o	Percentage allocation – average 45 y/o	Percentage allocation – average 55 y/o	Percentage allocation – average 1 day prior to State Pension Age
Cash	0.0%	0.0%	0.3%	25.0%
Bonds	0.0%	0.0%	44.7%	54.1%
Listed equities	100.0%	100.0%	37.1%	12.7%
Private equity	0.0%	0.0%	0.0%	0.0%
Infrastructure	0.0%	0.0%	5.1%	2.0%
Property / real estate	0.0%	0.0%	8.9%	3.5%
Private debt / credit	0.0%	0.0%	2.1%	2.2%
Other assets	0.0%	0.0%	1.8%	0.7%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Note: The asset allocation figures presented have been calculated from the fund allocations detailed in the respective fund factsheets as of 31 December 2024. For members whose asset allocation at the selected age on the default glidepath involves multiple funds, we have determined the overall asset allocation based on the proportion of assets held in each fund.

The following table shows the asset allocation for the Plan's "inadvertent" default arrangement for members of different ages, as at 31 December 2024. The asset allocation disclosure meets the DWP's statutory guidance (issued January 2023) to "Disclose and Explain asset allocation reporting and performance-based fees and the charge cap".

Asset class	Percentage allocation – average 25 y/o	Percentage allocation – average 45 y/o	Percentage allocation – average 55 y/o	Percentage allocation – average 1 day prior to State Pension Age
Cash	100.0%	100.0%	100.0%	100.0%
Bonds	0.0%	0.0%	0.0%	0.0%
Listed equities	0.0%	0.0%	0.0%	0.0%
Private equity	0.0%	0.0%	0.0%	0.0%
Infrastructure	0.0%	0.0%	0.0%	0.0%
Property / real estate	0.0%	0.0%	0.0%	0.0%
Private debt / credit	0.0%	0.0%	0.0%	0.0%
Other assets	0.0%	0.0%	0.0%	0.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Note: The asset allocation figures presented have been calculated from the fund allocations detailed in the respective fund factsheets as of 31 December 2024. For members whose asset allocation at the selected age on the default glidepath involves multiple funds, we have determined the overall asset allocation based on the proportion of assets held in each fund.

Members may wish to refer to the fund fact sheets, which include further information on the asset allocation of each fund. These can be found at www.affinitywaterpensions.co.uk through the member portal.

Other investment options

The Trustee recognises that the default arrangement will not be suitable for the needs of every member and so the Plan also offers members a choice of other investment options including alternative lifestyle options and self-select funds. The main objectives of these investment options are:

- To cater for the likely needs of a wider range of members;
- To cater for members looking to take different benefits at retirement (such as cash or annuity) than the drawdown option targeted by the default arrangement;
- To offer a wider range of asset classes, levels of risk and return and different investment approaches; and
- To support members who want to take a more active part in how their savings are invested.

3 Investment Performance

The presentation of the investment performance takes into account the statutory guidance issued by the DWP. The Trustee has followed the statutory guidance in all areas. The Plan has invested in the current default and self-select funds for less than 5 years, and as such we have only shown 1 year and 3 year performance. Full details on the investment performance of all funds can be found in Appendix 4.

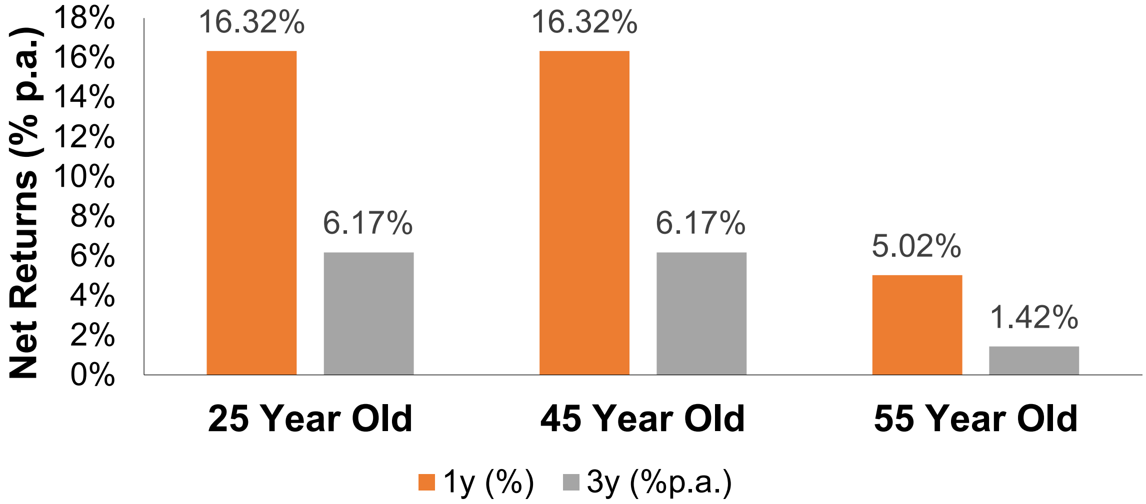
Investment conditions

The FTSE All World Total Return Index rose 20.6% in local-currency terms over the year to 31 December 2024, continuing strong growth of 2023. North American equities outperformed, fuelled by growth, technology-sector outperformance and expected tax cuts and deregulation. Most other regions underperformed, with UK equities' low technology exposure and above-average exposure to underperforming sectors like energy and basic materials weighing on returns.

Sovereign bond yields generally rose, driven by growth, anticipation of inflationary policy and higher expected issuance to fund tax cuts. In the UK, the Autumn Budget (October 2024) further contributed to a rise in bond yields, impacting investment returns.

Default arrangement

Over the year to 31 December 2024 the funds used in the Plan's default arrangement saw investment returns between a rise in value of 1.04% or, put another way, a rise of £10.40 for every £1,000 invested, which was delivered by the LGIM AAA-AA-A Corporate Bond All Stocks Index Fund, to a rise in value of 16.32% or, put another way, a rise of £163.20 for every £1,000 invested, which was achieved by the Affinity Water Growth Fund.



Source: Legal & General. Performance figures over 1 year are annualised

The chart above shows the net of fees annualised performance over the 1 year and 3 year time periods for members aged 25, 45 and 55 years invested in the default arrangement.

The investment returns produced by the funds in the default arrangement were all broadly in line or ahead of their individual objectives over the 1-year period to 31 December 2024, with the exception of the L&G Dynamic Diversified Fund and L&G Retirement Income Multi Asset Fund. Both funds failed to achieve their performance targets returning 5.02% versus a benchmark of 9.69% and 4.56% versus a benchmark of 8.86% respectively. The Trustee reviewed both funds during the 2024 investment strategy review and intends to replace them with alternative funds following completion of the ongoing operational and implementation model review.

Other default arrangements

Over the year to 31 December 2024, the funds used in the Plan's Cash Fund (an "inadvertent" default arrangement) saw investment returns of 5.17%, or a gain of £51.70 for every £1,000 invested respectively.

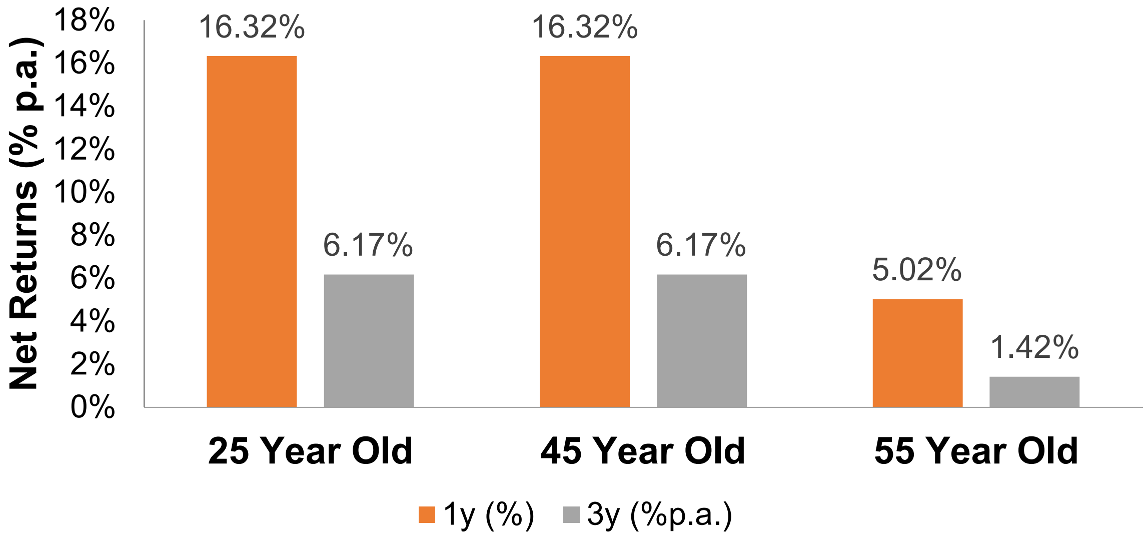
The Trustee is satisfied that this fund has performed in line with its objectives.

Other investment options

Self-select lifestyle options

Over the year to 31 December 2024 the funds used in the cash lifestyle saw investment returns of between 4.56% and 16.32%.

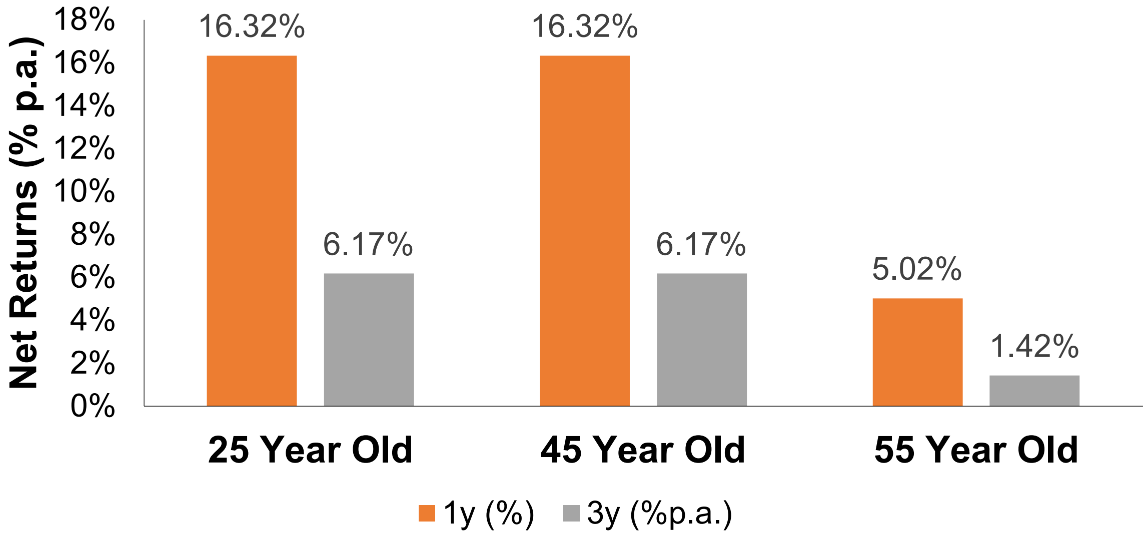
The table below shows the net of fees performance over the 1 year and 3 year time periods for members aged 25, 45 and 55 years invested in the cash lifestyle:



Source: Legal & General. Performance figures over 1 year are annualised.

Over the year to 31 December 2024 the funds used in the annuity lifestyle saw investment returns of between -4.10% and 16.32%.

The table below shows the net of fees performance over the 1 year and 3 year time periods for members aged 25, 45 and 55 years invested in the annuity lifestyle:



Source: Legal & General. Performance figures over 1 year are annualised.

Self-select funds

The World Equity Index Fund is the most popular self-select fund with 49 out of 57 members self-selecting electing to invest in this fund as at 31 December 2024. The Fund increased in value by 19.36% during the 1 year period to 31 December 2024.

The Trustee is satisfied that all of the self-select funds have performed in line with their objectives over the year with the exception of the L&G Dynamic Diversified Fund and L&G Retirement Income Multi Asset Fund, mentioned above.

AVC funds

The Plan offers a range of funds from Prudential to its DB members who have already made Additional Voluntary Contributions for use in AVC arrangements, including a With Profits option and 4 unit-linked options. To note, these options are not available to new members of the Plan.

The Trustee is satisfied that the funds used by members' AVC arrangements have performed in line with their objectives.

More information

Investment returns, net of fees, for all funds over 1 year and 3 year periods (annualised) to 31 December 2024 are shown in Appendix 4.

Further information on the funds, how they are invested and their investment performance during the year, can be found on the Plan's website at www.affinitywaterpensions.co.uk.

4 Costs and charges

The costs and charges for the Plan's services are borne by members and the Employer as follows:

Service	By members	Shared	By the Employer
Investment Management	✓		
Investment Transactions	✓		
Administration			✓
Communications			✓
Governance			✓
Retirement		✓	

The presentation of the costs and charges, and the projections of their impact, take into account the statutory guidance issued by the DWP.

Charges

The charges quoted in this Statement are the investment funds' Total Expense Ratios ("TERs"). The TER consists of a fund's Annual Management Charge ("AMC") and Operating Costs and Expenses ("OCE"). OCEs include, for example, the fund's custodian costs. While the AMC is usually fixed, the OCE, and hence the TER, can vary slightly from day to day.

Transaction costs

The funds' transaction costs are in addition to the funds' TERs and can arise when:

- The fund manager buys or sells part of a fund's portfolio of assets; or
- The platform provider or fund manager buys or sells units in an underlying fund.

Transaction costs vary from day to day depending on where each fund is invested and stock market conditions at the time. Transaction costs can include custodian fees on trades, stockbroker commissions and stamp duty (or other withholding taxes). The transaction costs stated within this statement are as at a point in time, namely as at 31 December 2024.

Transaction costs are deducted before the funds' unit prices are calculated. This means that transaction costs are not readily visible, but these costs will be reflected in a fund's investment performance.

The Financial Conduct Authority requires fund managers and providers to calculate transaction costs using the "slippage method", which compares the value of assets immediately before and after a transaction has taken place. This can give rise to negative transaction costs where favourable stock market movements during a transaction offset the rest of the trading costs (such as stockbroker commission).

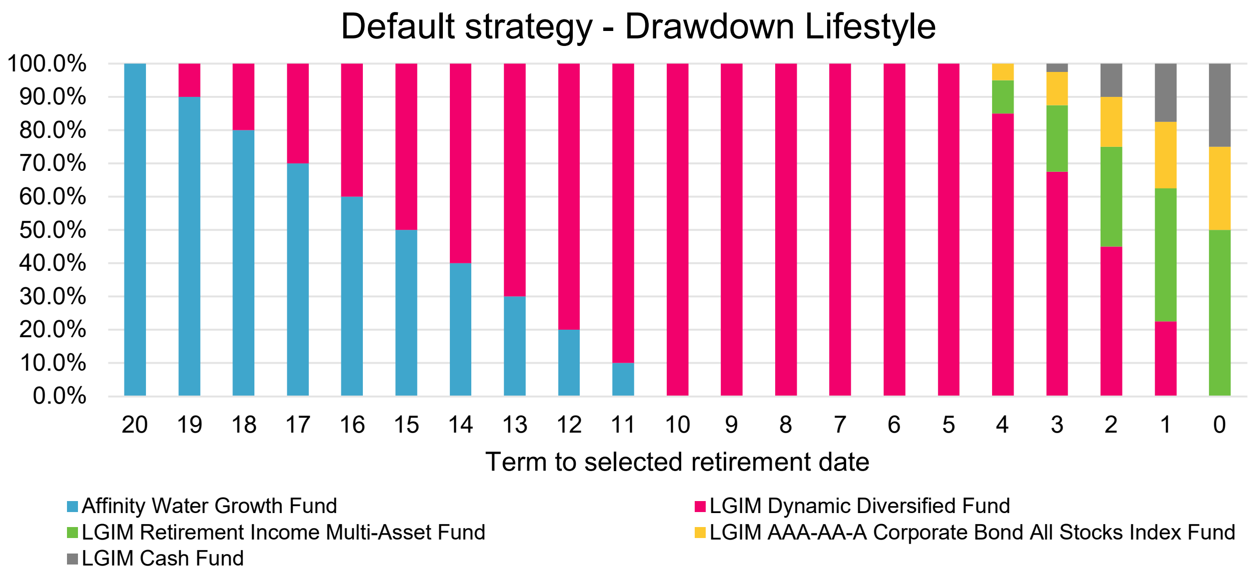
The transaction costs shown in this Statement do not include any costs members may incur from buying or selling units in the provider's funds as a result of the fund manager's fund price moving from a "bid" to "offer" basis (or vice versa).

Member-borne charges and transaction costs

The charges and transaction costs have been supplied by the Plan's investment managers.

Default arrangements

The default arrangement is a "lifestyle strategy" which invests contributions in funds according to how far each member is from retirement. This means that the level of charges and transaction costs borne by members can vary from year to year depending on how close members are to their selected retirement age and in which fund they are invested at that time. A diagram illustrating the default arrangement is shown below:



During the year the member-borne charges for the default arrangement were in a range from 0.25% to 0.51% of the amount invested or put another way, between £2.50 to £5.10 per £1,000 invested, depending on the number of years to retirement and the blend of underlying funds that members were invested in at that point on the glidepath.

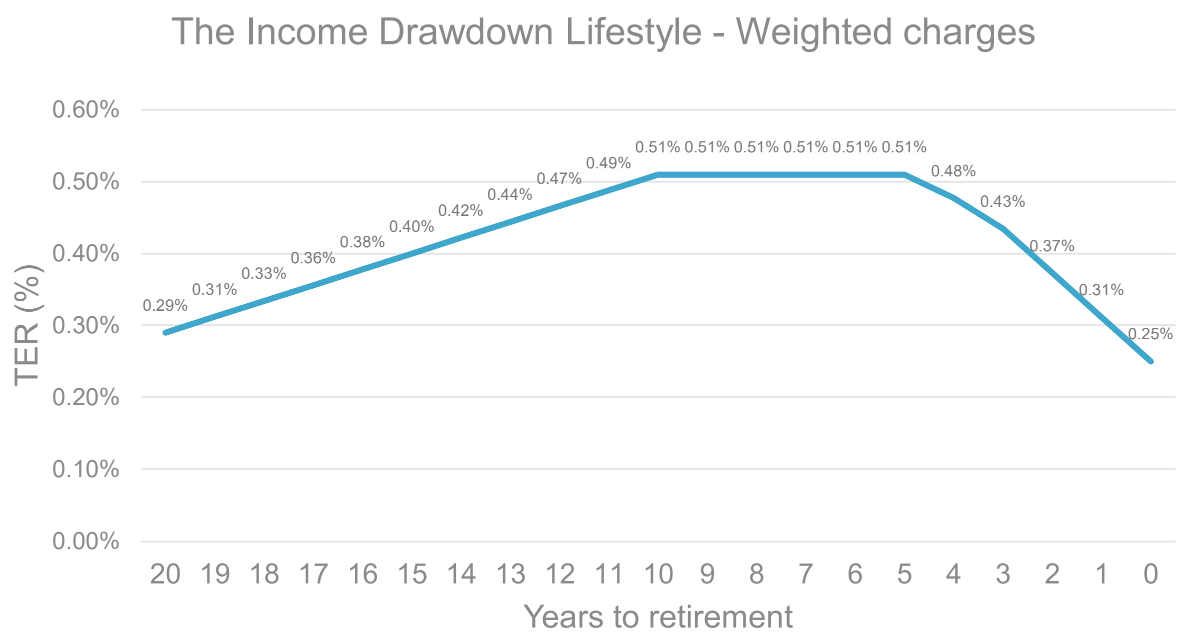
The transaction costs borne by members in the default arrangement during the year were in a range of 0.04% to 0.09% or put another way, between a cost of £0.40 to a cost of £0.90 per £1,000 invested, depending on the number of years to retirement.

For the period covered by this Statement, the annualised aggregate charges and transaction costs were:

Period to retirement	Charge		Transaction costs	
	% p.a.	£ per £1,000	% p.a.	£ per £1,000
More than 20 years	0.29	2.90	0.04	0.40
15 years	0.40	4.00	0.06	0.60
Between 10 and 5 years	0.51	5.10	0.09	0.90
At retirement	0.25	2.50	0.04	0.40

Source: Legal & General

The weighted charge over the course of the Drawdown Lifestyle (the default arrangement) is illustrated in the chart below:



The average charge for the default investment arrangement was 0.36% p.a. for a member invested for 40 years. This is an arithmetic average of the charges over the 40 years to retirement and may vary if alternate methods of calculation are used.

The table in Appendix 2a gives the charges and transaction costs for each fund used by the default arrangement.

The Plan is a qualifying arrangement for auto-enrolment purposes and the member-borne charges for the default arrangement complied with the statutory 0.75% p.a. charge cap during the year.

Other default arrangements

An inadvertent default is created if members' contributions are redirected to another fund (one they had not originally selected) without consent, as happened with the suspension of the L&G Managed Property Fund. In this case, members' contributions which should have been invested into the Property Fund were instead directed to the L&G Cash Fund.

The Trustee plans to engage with the members who were impacted by the redirection of these contributions over the next year. As at 31 December 2024, there were 2 members who remain in the L&G Cash Fund.

During the Plan Year the member-borne charges for the "inadvertent" default arrangement was 0.13% p.a. or put another way, £1.30 per £1,000 invested.

The transaction costs borne by members in the "inadvertent" default arrangement during the Plan Year was 0.07% or put another way, a cost of £0.70 per £1,000 invested. This is shown in Appendix 2b.

The member-borne charges for the inadvertent default arrangement complied with the statutory 0.75% p.a. charge cap during the year.

There were no performance-based fees deducted from the default arrangement over the Plan Year.

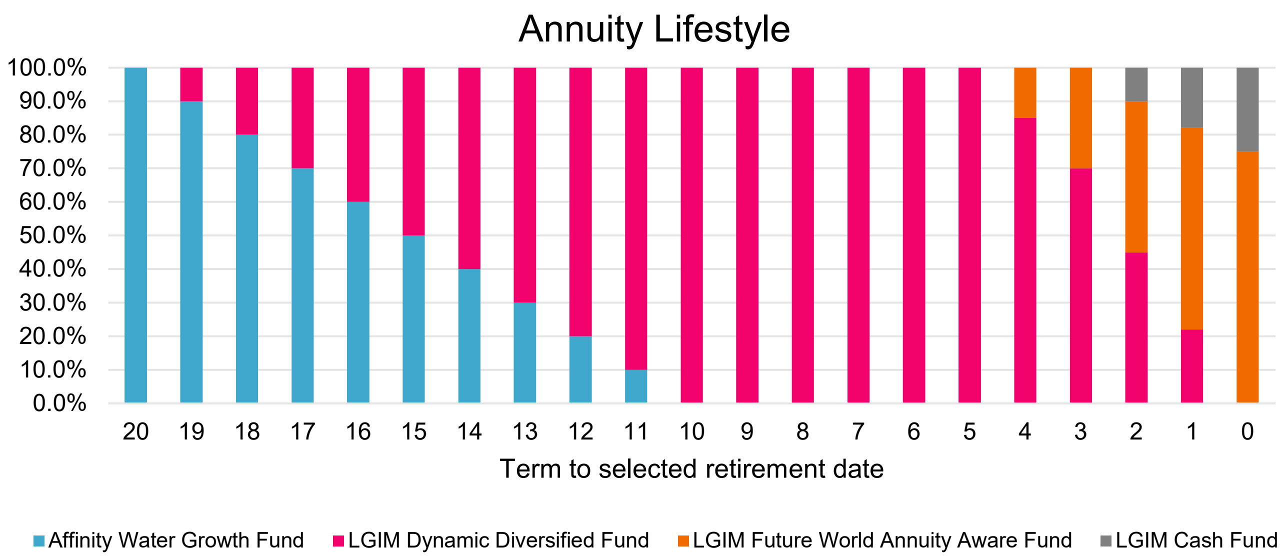
Charges and transaction costs for investment options outside the default arrangement

As an alternative to the default lifestyle or the "inadvertent" default arrangement, members may choose to invest in 1 of 2 other lifestyle strategies (targeting annuity purchase or cash withdrawal) or from 8 self-select funds.

Lifestyle options

The lifestyle options outside the default arrangement also invest contributions in different funds according to how far each member is from retirement. The charges borne by each member can also vary from one year to the next.

Annuity Lifestyle



During the year the member-borne charges for the Annuity lifestyle option were in a range from 0.15% to 0.51% of the amount invested or put another way, between £1.50 to £5.10 per £1,000 invested, depending on the number of years to retirement and the blend of underlying funds that members were invested in at that point on the glidepath.

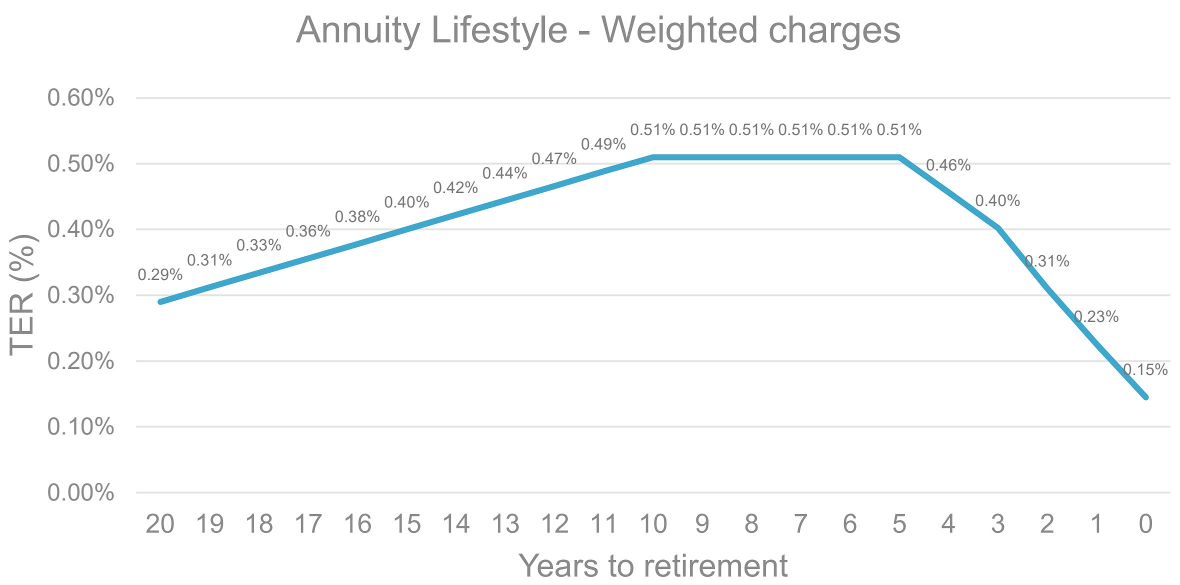
The transaction costs borne by members in the Annuity lifestyle option during the year were in a range of 0.02% to 0.09 % or put another way, between a cost of £0.20 to a cost of £0.90 per £1,000 invested, depending on the number of years to retirement.

The annual charges for the Annuity lifestyle option during the period covered were:

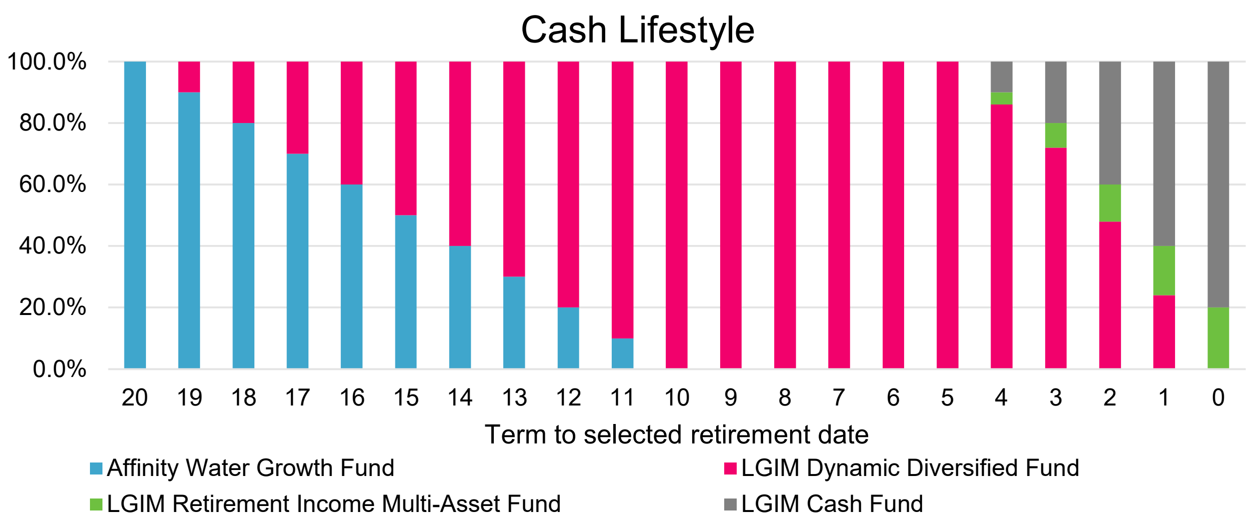
Period to retirement	**Charge**		**Transaction costs**	
	% p.a.	**£ per £1,000**	**% p.a.**	**£ per £1,000**
More than 20 years to retirement	0.29	2.90	0.04	0.40
15 years	0.40	4.00	0.06	0.60
Between 10 and 5 years	0.51	5.10	0.09	0.90
At retirement	0.15	1.50	0.02	0.20

Source: Legal & General and Hymans

The weighted charge over the course of the Annuity Lifestyle is illustrated in the chart below:



Cash Lifestyle



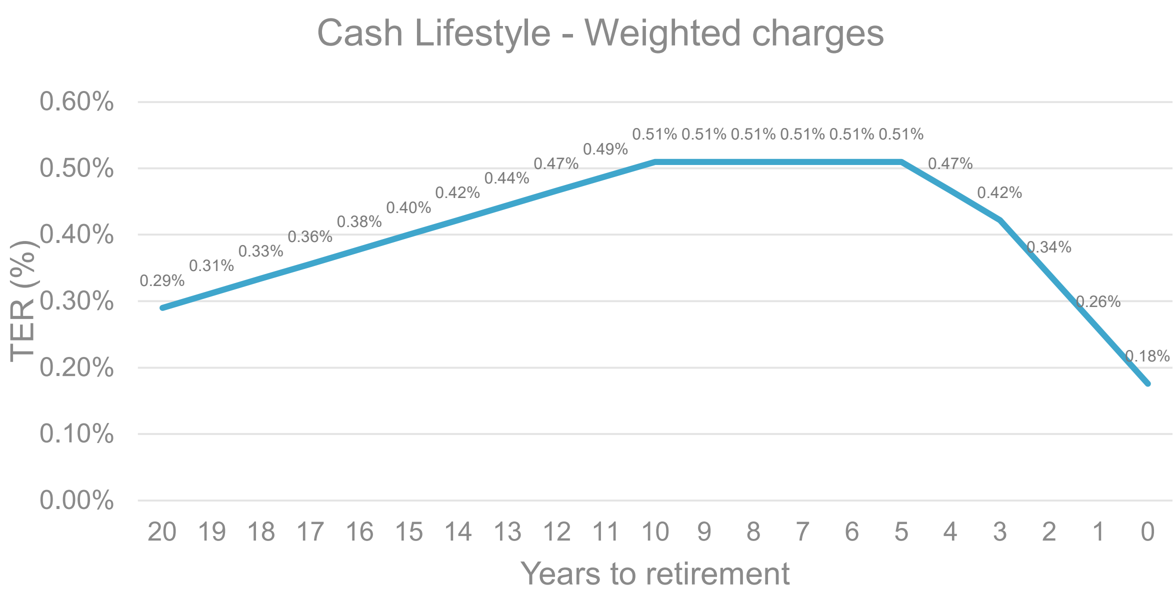
During the year the member-borne charges for the Cash lifestyle option were in a range from 0.18% to 0.51% or put another way, between £1.80 to £5.10 per £1,000 invested, depending on the number of years to retirement and the blend of underlying funds that members were invested in at that point on the glidepath.

The transaction costs borne by members in the Cash lifestyle option during the year were in a range of 0.04% to 0.09% or put another way, between £0.40 to £0.90 per £1,000 invested, depending on the number of years to retirement.

Period to retirement	Charge		Transaction costs	
	% p.a.	£ per £1,000	% p.a.	£ per £1,000
More than 20 years to retirement	0.29	2.90	0.04	0.40
15 years	0.40	4.00	0.06	0.60
Between 10 and 5 years	0.51	5.10	0.09	0.90
At retirement	0.18	1.80	0.07	0.70

Source: Legal & General and Hymans

The weighted charge over the course of the Cash Lifestyle is illustrated in the chart below:



The table in Appendix 2c gives the charges and transaction costs for each fund used in the Annuity and Cash lifestyle options.

Self-select funds

During the year the charges for the self-select funds were in a range from 0.10% to 0.90% or put another way, between £1.00 to £9.00 per £1,000 invested.

The transaction costs borne by members in the self-select funds during the year were in a range from -0.01% to 0.09% or put another way, between a saving of £0.10 to a cost of £0.90 per £1,000 invested.

The most expensive fund was the Property Fund, in terms of ongoing costs. The LGIM Dynamic Diversified Fund was the fund with the highest transaction costs.

The table in Appendix 2d gives the charges and transaction costs for each self-select fund.

Additional Voluntary Contributions ("AVCs")

The Plan offers members in the DB section who have already made Additional Voluntary Contributions a choice of 5 funds for their AVCs. These funds are not available to new members.

During the year the charges for the AVC funds were in a range from 0.55% to 0.77% or put another way, between £5.50 to £7.70 per £1,000 invested.

The transaction costs borne by members in the AVC funds during the year were in a range from 0.00% to 0.11% or put another way, between a cost of £0.00 to a cost of £1.10 per £1,000 invested.

The Trustee will continue to liaise with Prudential to ensure data is received for reporting to members. The above charges are shown to October 2024 and transaction costs to June 2024.

AVCs invested in With Profits

Some members' AVCs are invested in the Prudential With Profits Accumulation Fund.

The charges for With Profits Funds are deducted from the overall fund before bonus rates are set for all policyholders. As a result, the charges are effectively averaged across all policyholders and it is not possible to determine the exact charges borne by the members of our Plan.

The Principles and Practices of Financial Management for the Prudential With Profits Fund state that the administration and investment charges should average 1% p.a.

It should be noted that the implicit costs and charges for the With Profits Fund cover the cost of guarantees and reserving as well as investment management and administration services.

Impact of costs and charges - illustration of charges and transaction costs

We asked the Plan's investment adviser to illustrate the effects over time of the costs and charges borne by members. These illustrations show projected fund values in today's money before and after costs and charges for typical members at stages from joining the Plan at ages 21, 25 and 55 up to retirement.

The tables in Appendix 3 to this Statement will show these figures for:

- The default arrangement;
- The inadvertent default; as well as;
- 2 funds from the Plan's self-select fund range:

- LGIM UK Equity Index Fund
- LGIM Managed Property Fund

Please note: These illustrated values are not guaranteed and may not prove to be a good indication of how your own savings might grow.

5 Value for Members

Each year, with the help of their advisers, the Trustee carries out an assessment of whether the charges and transaction costs for the default arrangement and other investment options, which are borne in full or in part by members, represent good Value for Members ("VFM"). Value is not simply about low cost – the Trustee also considers the quality and scope of provision compared against similar schemes and available external benchmarks.

Approach

The Trustee adopted the following approach to assessing VFM for the last year:

- Services – considered the services where members bear or share the costs;
- Outcomes – weighted each service according to its likely impact on outcomes for members at retirement;
- Comparison – compared the cost and quality of each service against similar schemes and available external comparisons;
- Rating – rated each service from poor to excellent.

Value for Members definition

The definition "Value for Members", in line with the Regulations and the Pension Regulator's ("TPR") guidance, is one in which:

- The cost of membership provides good value in relation to the services it provides to members, when compared with other options available in the market; and
- Considers the services where members bear or share the costs.

Overall Value for Members rating

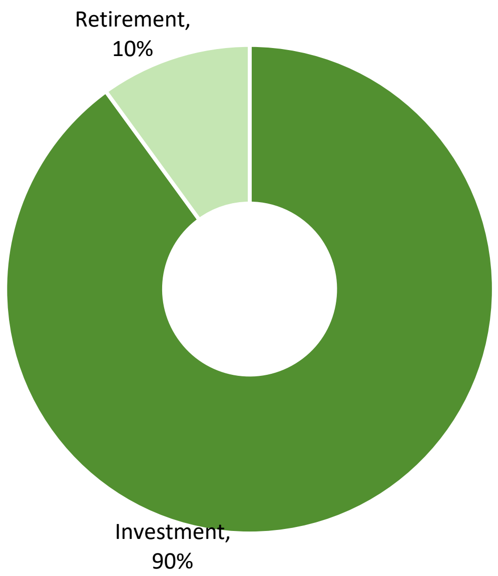
Overall, the Plan gave good Value for Members for the year ended 31 December 2024.

The costs of each service are borne by:

Category	Paid for by members	Paid for jointly	Paid for by the employer
Investment	X		
Administration			X
Communications			X
Governance			X
Retirement		X	

The Value for Members assessment therefore considers the Plan's investment and retirement costs. Members pay for these services by means of the annual management charge, operating expenses and transaction costs deducted from members' fund values by the provider.

The Plan's Value for Members by category weighting was (colours in the chart correspond to colours in the VFM Rating table):

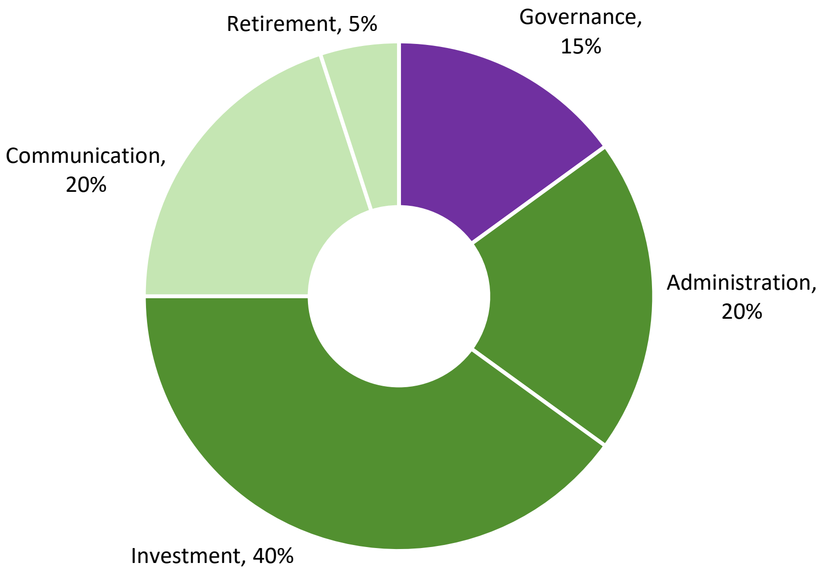


Check	Definition
Excellent	The Trustee considers the Plan offers excellent value for members, providing services within a top quality/cost range compared with typical options for similar plans.
Good	The Trustee considers the Plan offers good value for members, providing services at better quality/cost compared with typical options for similar plans.
Average	The Trustee considers the Plan offers average value for members, providing similar services at similar quality/cost compared with typical options for similar plans.
Below average	The Trustee considers the Plan offers below average value for members, providing similar services at higher cost or more limited services for similar cost compared with typical options for similar plans.
Poor	The Trustee considers the Plan offers poor value for members providing services, within the bottom quality/cost range compared with typical options for similar plans.

Overall Value for Money

In addition to Value for Members, we have also assessed TPR's non-mandatory overall Value for Money, a wider definition that takes into account all the Plan's services to members where the members and/or the employer bear the cost. This paper has assessed overall Value for Money.
The Plan gave good overall Value for Money for the year ended 31 December 2024.

The Plan's Value for Money by category weighting was (colours in the chart correspond to colours in the VFM rating table):



VFM rating	Definition
Excellent	The Trustee considers the Plan offers excellent value for members, providing services within a top quality/cost range compared with typical options for similar plans.
Good	The Trustee considers the Plan offers good value for members, providing services at better quality/cost compared with typical options for similar plans.
Average	The Trustee considers the Plan offers average value for members, providing similar services at similar quality/cost compared with typical options for similar plans.
Below average	The Trustee considers the Plan offers below average value for members, providing similar services at higher cost or more limited services for similar cost compared with typical options for similar plans.
Poor	The Trustee considers the Plan offers poor value for members providing services, within the bottom quality/cost range compared with typical options for similar plans.

Overall Value for Money and Members

The rationale for the rating of each service was in outline:

Category	Value for Money/ Members Rating	Value for Money Weighting	Value for Members Weighting	Value for Money/Members Rating	Rationale
Investment	Good	40%	90%	4	Charges and transaction costs were similar to those of comparable schemes. Investment performance was in line with the funds' objectives, with the exception of the L&G Dynamic Diversified Fund and L&G Retirement Income Multi Asset Fund. Both funds failed to achieve their performance targets (Bank of England base rate +4.5% p.a. and Bank of England base rate +3.5% p.a.) over the period. The Trustee reviewed both funds in 2024 and as a result, the Trustee has agreed that going forward, these funds will be replaced in the structural change of the consolidation and pre-retirement phases. During the year, the Plan completed the transition of the Affinity Water Growth Fund from: • 50% LGIM Future World Global Equity Index Fund (Currency Hedged) • 50% LGIM Future World Fund to: • 50% LGIM Future World Global Index fund (Unhedged) • 50% LGIM Future World Fund These funds are held in a blended fund, the Affinity Water Growth Fund. The transition was fully completed on 1 March 2024. Legal and General have been unable to provide details of the costs incurred over this transition at the time of writing. The Trustee has selected fund managers with a clear approach to integrating ESG considerations, including an engagement approach with the companies in which they invest seeking to reduce the exposure to ESG and climate change risks.

Category	Value for Money/ Members Rating	Value for Money Weighting	Value for Members Weighting	Value for Money/Members Rating	Rationale
					ESG integration is strong in the growth phase. However, there is a lack of ESG integration through the consolidation and pre-retirement phases. The Trustee has agreed to proposals which will improve Responsible Investment integration through both these phases. The Statement of Investment Principles was last reviewed in September 2024 and signed in October 2024.
Administration	Good	20%	N/A	4	The Plan's administration was carried out within the agreed service standards with 98.95% of work carried out within the agreed service levels against a target of 90%. Core financial transactions were processed promptly and accurately. The Plan's administrator is accredited by the Pensions Administration Standards Association ("PASA"). There were no formal complaints in the year to 31 December 2024, which is good for a scheme of this size. The Plan website, PRISM, available 24/7 to DC members, provides a range of appropriate guides and information to support all member segments: new joiners; members building their benefits and those close to retirement. This website (hosted by Hymans) also provides general pensions information, key features, investment options, contribution options, fund fact sheets, member guides and forms. The Trustee is undertaking an exercise to select a provider to bundle the Plan's DC arrangements. This means that the investment and administration of the Plan will be carried out by the same provider.
Communications	Average	20%	N/A	3	The Trustee uses a range of media to implement its communications strategy, including postal and electronic communications. As mentioned above, the Plan website, PRISM, available to DC members, provides a range of appropriate guides and information to support all member segments.

Category	Value for Money/ Members Rating	Value for Money Weighting	Value for Members Weighting	Value for Money/Members Rating	Rationale
					The Trustee issues a newsletter to members on an annual basis. Members are surveyed periodically on their experience of services provided by the Trustee and Hymans.
Governance	Excellent	15%	N/A	5	The Trustee met 4 times during the last year for board meetings and 11 times for catch-up meetings. The Trustee has also established 3 sub-committees, each of which has had 4 formal meetings over the last 12 months. The Trustee undertook training on several topics during the last year. The Trustee has reviewed their advisers' effectiveness during the year, and concluded it was happy with their overall performance during the Plan Year, therefore there were no actions taken.
Retirement	Average	5%	10%	3	The Plan has appointed Origen to provide Retirement Support Services in respect of whole market annuity support. The Plan does not currently provide retirement advice, which is in line with other pension plans of a similar size. The Trustee is undertaking an exercise to select a provider to bundle the Plan's DC arrangements. This means that the investment and administration of the Plan will be carried out by the same provider. As part of this, the Trustee is examining the at retirement support available in the market and factoring this into their final decision.

The Trustee has agreed an action plan for the following year to improve value where necessary and obtain any missing information. This action plan, along with details of the missing information and value assessment limitations, are detailed in other sections of this Chair's Statement. Full details of the approach used to assess value can be found in the Value for Members assessment.

6 Administration

The Trustee appointed Hymans in 2013 to administer the Plan on our behalf.

Core financial transactions

The Trustee monitored core financial transactions during the year including:

- The receipt and investment of contributions (including inward transfers of funds);
- Switches between investment options; and
- Payments of benefits (including retirements and outward transfers of funds).

Service levels

The Trustee has a Service Level Agreement ("SLA") in place with Hymans that covers the accuracy and timeliness of all core financial transactions:

- New DC joiners are processed within 7 days;
- Regular contributions files and the allocation of contributions are processed within 3-5 days;
- Provision of retirement pack and quotation of benefits within 9 working days;
- Payments of benefits are made within 5 working days;
- Provision of transfer value quotation within 15 working days;
- Provision of UFPLS (uncrystallised funds pension lump sums) quotation within 5 working days;
- Payment of transfer value within 7 working days;
- Provision of leaver option pack within 7 working days;
- Processing individuals transferring into the Plan:
    - Provision of quote within 20 working days;
    - Transfer in within 10 working days;
- Response to general members enquiries within 15 working days;
- Response to priority enquiries within 1 working day;
- Provision of statements upon request within 7 working days; and
- Processing of investment switches within 3 days.

Hymans aim to complete 90% of its administration work and core financial transactions within these service levels. During the Plan Year, Hymans completed 98.95% of these processes within the agreed service levels.

The Trustee understands that Hymans monitors its performance against these service levels by:

- Maintaining accreditation with the Pensions Administration Standards Association;
- Monitoring daily transactions;
- Monitoring daily workflow items;
- Regular internal audits of administration procedures;
- Reviewing the level, causes and resolution of complaints.

The Trustee monitored core financial transactions and administration service levels during the Plan Year by:

- Checking that contributions deducted from members' earnings were paid promptly to the Plan by the Employers;
- Receiving quarterly reports from Hymans on the processing of financial transactions and other administration processes against the agreed service levels; and
- Considering the reasons for and resolution of any breaches of service standards.

There have been no breaches or unresolved issues identified during the Plan Year.

Hymans have confirmed to us that there are adequate internal controls to ensure that core financial transactions relating to the Plan are processed promptly and accurately.

The Trustee is satisfied that the service standards are competitive because:

- We reviewed the SLA reporting standard in 2022;
- Hymans conducted a review of its administration service level standards in 2018 and subsequently initiated a continuous improvement programme, the results of which are regularly reported to us; and
- We reviewed the proposed changes to ensure they were appropriate to Plan-specific standards and members' needs.

Data quality

Each year the Trustee arranges reviews and receives reports from the Plan's administrator to confirm that they have undertaken an audit of the Plan's common data (which is the key data needed by the Plan to calculate members' benefits such as dates of birth), to ensure that the records for all members are accurate and up to date.

The last data quality audit was undertaken in October 2024. This showed that common data was present for 97.25% of membership data as at 8 October 2024. For comparison, last year as at October 2023 common data was available for 99.53% of membership data.

Over the next year the Trustee will ensure that the quality of the Plan's common data is maintained and where possible, improved.

Cyber security

The Trustee is conscious of the growing threat of cyber-attacks on pension scheme information.

Each year the Trustee asks the Plan's administrator to confirm that their cyber security arrangements are effective and up to date. The Trustee expects that the Plan's administrator will report any security breach immediately and ensure that members are notified as soon as possible.

The Trustee has a cyber security policy in place and reviews it periodically.

Overall

The Trustee is satisfied that during the Plan Year:

- Hymans was operating appropriate procedures, checks and controls and operating within the agreed SLA;
- The vast majority of core financial transactions were processed accurately, promptly and efficiently;
- There have been no material administration errors in relation to processing core financial transactions;
- The wider administration of the Plan achieved the agreed service standards;
- The Plan's common data is accurate and up to date; and
- The Plan's cyber security arrangements are effective.

A number of processes are in place for the Trustee to monitor, review and act on any areas of underperformance. These include:

- Regular review and discussion of SLA results at quarterly Member Experience and Governance Committee (MEGC) meetings;
- Investigation of any complaints raised directly to the Trustee by members;
- Regular meetings with the Principal Employer's payroll team to identify any performance concerns and discuss individual issues; and
- Full review of performance against a set of predefined categories.

Security of assets

The situation regarding the security of investment of pension contributions is complex. It can vary from scheme to scheme and from fund to fund within each scheme. To date there have only been a few instances where members of Plans such as ours have seen their benefits reduced as a result of a financial failure of a provider or fund manager. There have been no instances within this Plan.

The Trustee has reviewed the structure of the funds used within the default arrangement and other investment options. We believe that the current structures are appropriate for members when compared to other possible structures.

The Trustee received training on the security of members' assets in November 2023 and will continue to keep this under review. We take the security of assets into account when selecting and monitoring the funds used by the Plan.

7 Trustee knowledge

As Trustee Directors of the Plan, we are required to maintain appropriate levels of knowledge and understanding to run the Plan effectively. Sections 247 and 248 of the Pensions Act 2004 require that each Trustee Director must:

- Be conversant with the Plan's Trust Deed and Rules, SIP and any other document recording a current policy adopted by the Trustee relating to the administration of the Plan generally; and
- Have knowledge and understanding of the law relating to pensions and trusts, and of the principles relating to investment of the assets of occupational pension schemes, to the degree that is appropriate for the purposes of enabling the individual to properly to exercise their functions as Trustee Director.

We have measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the period are set out below.

Our current practices to maintain and develop Trustee Directors' level of knowledge and understanding of matters relating to the Plan include:

- A structured induction process for newly appointed Trustee Directors and Officers, who should complete the "Trustee Toolkit" (TPR's online learning programme for occupational pension schemes) within 6 months of appointment and regular training and regulatory news and updates provided by TPR in order to ensure that Trustee Directors are made aware of their duties and introduced to the Trust Deed and Rules and other statutory requirements;
- Conversance training is regularly provided to ensure that Trustee Directors and Officers maintain a working knowledge of the Plan's Trust Deed and Rules;
- Ad hoc, tailored training is provided regarding the Plan's SIP, investment concepts and principles relevant to the Plan, risk management, contract documents in relation to administration of the Plan, cyber security, data protection, and legislation relating to pension schemes and trusts;
- We are encouraged to undertake further study and qualifications, and to attend courses and seminars, which support our work with the Trustee, and to share key learning with colleagues;
- We carry out regular assessments to identify any gaps in our knowledge and skills and maintain a training log in line with best practice to record training we have completed and plan for future/ongoing training appropriate to our duties and needs; a training plan is in place alongside rolling Trustee meetings and delivered as part of reviewing a forward looking agenda with the Trustee;
- We review the effectiveness of these practices and the training received annually, through Board and Trustee Director assessments; and
- We also receive quarterly "hot topics" and "key legal issues" briefings from our advisers covering technical and legislative/regulatory changes affecting DC (and AVC) schemes in general.

In terms of particular skills on the Trustee Board, the Board includes a professional Trustee Director who is a member of the Association of Professional Pension Trustees and who undertakes over 25 hours per annum of Continuous Professional Development alongside specific training around the Plan's DC arrangements. Additionally, the professional trustee chairs our DC committee and brings to the Board his experience of wider industry best practice and his experience from his roles with other DC arrangements.

The Trustee regularly considers the diversity of the Board in relation to core characteristics such as gender, age and ethnicity and to the mix of skills, experience and cognitive diversity. Where vacancies on the Board arise, the Trustee, where it is in its gift, seeks to recruit new Trustee Directors who enhance the diversity of the Board and its overall effectiveness.

Our advisers assist us to identify any knowledge gaps and to regularly consider training requirements. They will raise any changes in governance requirements and other relevant matters as they become aware of them and will typically deliver training on such matters at Trustee meetings if they are material.

All Trustee Directors have access to copies of, and are conversant with, the current governing documentation for the Plan, including the Trust Deed & Rules (together with any amendments), the SIP, and our policies. We refer to the Trust Deed and Rules as part of our decision-making in operating the Plan, and to the SIP to guide making any change to the Plan's investments.

We also carry out biennial evaluations of the performance and effectiveness of the Trustee Board as a whole, measured against the Plan's objectives, and assessments of individual directors' effectiveness in the intervening years based on TPR's Board effectiveness guidance. The Trustee is regularly assessed by the Chair as part of an effectiveness review.

Our DC Committee tests its familiarity with relevant Plan documentation, pensions law and regulations, specifically TPR's DC Code of Practice 13 and supporting Guides, through a combination of timely briefings by relevant advisers according to need and a planned programme of in-depth reviews of requirements. These activities, and their outcomes (such as updates to policies and procedures, or amendments to member communications), are recorded in the minutes and actions logs of the appropriate meeting and shared with all members of the Board.

During the Plan Year we received training on the following topics:

Date	Topic	Aim	Trainer
Mar-24	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
Sep-24	DC Operational Models	A training session to equip the Trustee with a comprehensive understanding of the differences, benefits, and challenges of differing operational and implementation models available to the Plan. This enables the Trustee to make an informed decision as	Hymans

Date	Topic	Aim	Trainer
		part of a review of the current operational model.	
Sep-24	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
Dec-24	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

We have appointed suitably qualified and experienced legal advisers, investment consultants, administrators and benefit consultants to provide advice on the operation of the Plan in accordance with the Trust Deed and Rules, legislation and regulatory guidance.

We review the effectiveness of our advisers annually and periodically review the terms of their appointment. The latest review found that all the Plan's advisers were performing in line with our objectives and no actions were required following the review.

We are satisfied that during the Plan Year we have:

a) Taken effective steps to maintain and develop our knowledge and understanding; and

b) Ensured we received suitable advice for the ongoing governance of the Plan.

We are satisfied that the combination of our knowledge and understanding, together with access to suitable advice, enabled us to properly exercise our duties during the Plan Year.

8 Our achievements and plans for the next year

During the Plan Year we undertook the following actions (over and above "business as usual"):

- Received regular investment research updates and regulatory direction and alongside advisers reviewed options to enhance value for members;
- Received guidance on the DC investment strategy process ahead of the 2024 investment strategy review which was conducted during the year;
- Renewing our DC investment and responsible investment beliefs ahead of the 2024 investment strategy review;
- Received training on DC Schemes for Trustees; and
- Received training on different operational models that the Plan may adopt to enhance value for members.

In the coming year (which will be covered by the next Statement), we intend to:

- Review the Plan's current operational and implementation model
- Complete the triennial investment strategy review, including considerations around an off-the-shelf or bespoke arrangement.

We believe that this work will help you get the best out of our Plan.

Missing information

We note the following limitations:

- This report does not show 5 year performance figures for the default arrangements as an underlying fund which forms part of the default strategies was incepted less than 5 years ago and, as such, 5 year performance for the strategy is not available.
- Ongoing charges for the Prudential funds in the AVC arrangement are available only to October 2024, and transaction costs are available only to June 2024.

Appendix 1

Statement of Investment Principles

1 Introduction

1.1 Background

This Statement of Investment Principles sets out the principles governing investment decisions for the DC Section of the Affinity Water Pension Plan (the "Plan').

The DC Section of the Plan is a defined contribution (DC) pension arrangement. It is a qualifying scheme for auto-enrolment purposes.

The investment options consist of three Lifestyle Options:

- Income Drawdown Lifestyle Option - which is the Default Option;
- Cash Lifestyle Option }
- Annuity Purchase Lifestyle Option } which together are the alternative Lifestyle Options }

and a range of self-select funds.

The asset allocations of the Lifestyle Options change automatically depending on time until the member's retirement date.

1.2 Statutory Information

This Statement has been prepared in accordance with the requirements of sections 35, 36 and 56 of the Pensions Acts 1995 and 2004. The Trustee of the Plan has considered written advice from the Trustee's investment consultants and have consulted with the Principal Employer in producing this Statement.

The Trustee will review this Statement, in consultation with the investment consultants and the Principal Employer, at least every three years and without delay after any significant change in investment policy or demographic profile of the Plan's membership.

2 Investment Considerations

2.1 Investment Risks

Principal risks

The principal investment risks which most members face are:

Inflation risk – The risk that the investment returns over members' working lives will not at least keep pace with inflation and do not produce adequate retirement benefits.

For members further from retirement, the Lifestyle Options invest in return-seeking assets during the accumulation phase, which are expected to produce returns in excess of inflation over the longer term. These assets are also included in the self-select fund range.

Benefit conversion risk – The risk that market movements in the period just prior to retirement lead to an increase in the cost of turning members' fund values into retirement benefits.

For members planning to use income drawdown during their retirement, the Income Drawdown Lifestyle Option switches into a mixed allocation consisting of a cautious diversified growth fund, a corporate bond fund and a cash fund during the pre-retirement phase. The self-select range also offers funds investing in a cautiously managed/lower volatility portfolio of assets. These are broadly suitable for income drawdown.

For members planning to take cash at retirement, the Cash Lifestyle Option switches into a cash fund during the pre-retirement phase. The self-select range also offers a cash fund, which invests in cash deposits and other short-term interest bearing securities. These options provide a high degree of (but not complete) capital security.

For members planning to buy an annuity at retirement, the Annuity Purchase Lifestyle Option switches into bonds during the pre-retirement phase, and the self-select fund range offers funds investing in longer-dated bonds. These options may be expected to broadly follow movements in annuity rates caused by interest rate changes as retirement approaches.

Volatility/Market risk – The risk that adverse movements in investment market values in the period prior to retirement lead to a reduction in the anticipated level of benefits.

As members approach retirement, all Lifestyle Options increasingly invest in funds which are expected to be subject to lower volatility. These funds are also included in the self-select fund range.

Other investment risks

Other potentially material investment risks which members may face include:

Counterparty risk – The risk that counterparties holding derivative-based assets may default leading to a reduction in a fund's value.

The Trustee delegates the management of counterparty risk to their investment managers who select and monitor the counterparties used in the funds.

Active management risk – The risk that an investment manager will not deliver investment returns in line with its objectives.

The Trustee recognises that an actively managed fund may not deliver performance in line with the fund's objectives / agreed benchmarks. The Trustee regularly monitors fund performance in order to monitor this risk.

Liquidity risk – The risk that funds which invest in more illiquid assets will not be able to accept investments or disinvestments requested by the Trustee and/or members.

Environmental, Social and Governance (ESG) risks – The extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.

Climate risk – The extent to which climate change causes a material deterioration in asset values as a consequence of factors including, but not limited to: policy change, physical impacts and the expected transition to a low-carbon economy.

Factor based investing – Equity investments may show several factors (supported by academic research) that may be expected to deliver stronger returns over the longer-term, but which may show increased risks (including timing) in the shorter-term.

Legislative/Regulatory – Changes in government policy or taxation may have a long-term positive or negative impact on certain sectors of a country's economy or one country relative to its neighbours over the medium to longer-term. Changes in Regulations can also affect the operational costs, tax efficiency and security of one investment vehicle relative to other vehicles over the shorter-term.

The Trustee is satisfied that the funds available for members to invest have sufficient liquidity and may be realised quickly if required, under most circumstances. Member communications will warn members where funds, such as those investing in property, may occasionally impose constraints on liquidity.

Managing investment risks

The Trustee believes that taking investment risk is usually rewarded in the long term, while asset allocation (i.e. the choice between asset classes, such as equities and bonds) is the key tool for managing the balance between risk and return.

To help mitigate the principal investment risks, the Trustee offers the Lifestyle Options, which automatically move members from higher risk investments to lower risk investments as they approach retirement.

The Trustee believes that the investment options available are appropriate for managing these risks.

2.2 Expected returns on investments:

The expected returns on the principal asset classes and fund types within the Plan are:

Equities – should achieve a strong positive return relative to inflation over the longer-term, but tend to be the most volatile asset class over the shorter-term;

Property – should achieve a positive return relative to inflation over the longer-term which is lower than that for equities, but with less volatility than equities;

Corporate Bonds – should achieve a positive return relative to inflation over the longer-term which is lower than that for equities and property, but with less volatility than equities or property;

Cash – should deliver a positive return which may not always keep pace with inflation, while normally providing a minimal level of volatility and high degree of capital security;

Long-dated Government Bonds (gilts) and long-dated Corporate Bonds – values should move broadly in line with the financial factors influencing annuity rates;

Diversified Growth/Multi-Asset Funds – invest in a varying mix of asset classes with an objective of delivering a target level of positive returns over the longer-term, with less volatility than equities.

2.3 Investments held

The Plan invests through insured investment vehicles considered appropriate for tax-exempt approved occupational pension schemes.

These funds may invest in: quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index-linked bonds, cash, commercial and residential property; infrastructure and commodities through collective investment vehicles; and Exchange Traded Funds and derivatives to facilitate changes in the fund's portfolio of assets or to help mitigate investment risks or to enhance investment returns.

The funds used are accessed through an insurance company-based investment platform and so must comply with regulations on what they are permitted to invest in how much they can borrow.

The Lifestyle Options use funds across asset classes with different expected risks and rewards. The self-select fund range offers members a choice of funds across asset classes with different expected risks and rewards.

The Trustee believes that both active and passive management have a place in defined contribution arrangements. Some asset classes or investment approaches (such as property, cash and diversified growth strategies) are only available as actively managed funds.

The Trustee considers that all of the stated asset classes are suitable investments for the Plan, while the use of pooled funds facilitates diversification within each asset class.

2.4 Realisation of investments

Funds need to be sold to make payments of benefits and to undertake fund switches either in accordance with the Lifestyle investment strategies or as requested by individual members. The Trustee normally expects the investment managers to be able to realise the Plan's funds within a reasonable timescale. The Trustee recognises that the investment managers may at times need to impose restrictions on the timing of purchases and sales of funds (most notably investing in property) in some market conditions to protect the interests of all investors in a fund.

2.5 Diversification

Given the size and nature of the Plan, the Trustee invests on a pooled fund basis undertaken through a platform provider. The investment managers of the funds are expected to maintain diversified portfolios. Subject to regulations and the funds' benchmarks and guidelines, the investment managers have discretion over the choice of securities and, for multi-asset funds, over the allocation to permitted asset classes.

The Trustee is satisfied that the range of funds used by the Plan provides adequate diversification within and across asset classes.

2.6 Member attitude to risk

The Trustee recognises that:

- Members have differing investment needs and that these needs are likely to change during the course of their working lives; and
- Attitudes to investment risks and the need for investment returns will vary from member to member and will also vary for each member over time, in particular as they approach retirement.

As a result, the Trustee believes that a range of investment options should be offered to members.

The Trustee believes it is in the best interests of members to offer a Default Option which manages the principal investment risks members face during their membership of the Plan. The Trustee therefore believes a lifestyle strategy is the most appropriate choice for the Default Option.

2.7 Member benefit choices at retirement

Members have a choice at retirement of:

- Taking cash at retirement;
- Buying an annuity at retirement or several years into their retirement;
- Using Flexible Access Income Drawdown ("FAD") during their retirement; or
- Taking Uncrystallised Funds Pension Lump Sums ("UFPLS") for several years into retirement

The Plan can facilitate cash and annuity purchase at retirement. Members wishing to use FAD, UFPLS and/or buy an annuity at a later date need to transfer their accumulated invested contributions (their "DC pot") to an arrangement outside the Plan.

3 Investment Objectives

3.1 Overall objectives

The Trustee's overall objective is to facilitate good retirement outcomes for members and help members achieve "benefit adequacy" i.e. an appropriate replacement income.

The Trustee believes that understanding the demographics and likely attitudes to risk/reward of the members are essential to developing and maintaining an appropriate investment strategy. The Trustee also believes that members typically seek to optimise the value of their retirement benefits from a given level of contributions, while aiming to protect the value of those benefits in the years approaching retirement against market falls and fluctuations in the costs of turning fund values into retirement benefits/income streams.

3.2 Default Option

Reasons for Default Option

The Plan has a Default Option because:

- The Trustee believes that a significant proportion of the membership look to the Trustee to decide where their DC pot should be invested;
- A significant proportion of the membership are expected to have broadly similar investment needs;
- The Plan is a qualifying scheme for auto-enrolment purposes and is required by Regulations to have a Default Option;
- The Trustee believes that the presence of an effective Default Option will help deliver good outcomes for members at and into retirement.

In choosing the Default Option, the Trustee has taken into account a number of factors including: members' projected pot sizes at retirement, contribution levels, the level of replacement income that members are likely to require, and the likely return on investment after the deduction of charges payable on the funds used by the Default Option.

The Trustee believes most members are likely to utilise some form of benefit flexibility at retirement, by taking a significant proportion of their benefits as cash at retirement and then drawing an income in retirement.

The Trustee will monitor members' benefit choices at retirement to build empirical evidence of trends within the Plan membership. The Default Option may be amended to encompass any meaningful evidence and results of analysis to ensure it remains appropriate.

Objectives of the Default Option

The main objective of the Default Option is to facilitate good member outcomes at retirement, subject to a level of investment risk which is appropriate to the majority of members who do not make an alternative investment choice.

The Trustee believes that a lifestyle strategy is an appropriate default option. The principal objectives of the Default Option are:

- To manage the principal investment risks faced by an average member during their membership of the Plan;
- In the absence of member segregation and in the absence of evidence or information about how the members will take their benefits at retirement, to provide an appropriate investment strategy, in terms of diversification and volatility, for people with modest retirement pots who have not made a clear decision about how they will take their benefits.

Full details of the Trustee's Investment Beliefs in relation to the default investment strategy are provided in Appendix 3. Full details of the Default Option are provided in Appendix 4.

3.3 Investment options

In addition to the Default Option, the Trustee believes that the following investment options are appropriate to achieve the overall objectives of the Plan:

Alternative Lifestyle Options

Alternative Lifestyle Options are offered for those members who believe that the target retirement benefits of the Default Option are not appropriate to their needs, but otherwise do not want to take an active part in selecting where contributions are invested.

The alternative Lifestyle Options manage the principal risks faced by members during their membership, but offer a choice of targeting the taking of their retirement benefits as cash at retirement/UFPLS for a few years into retirement or as an annuity at retirement.

Self-select funds

The self-select fund range is provided for members who want to take an active part in choosing where their DC pot is invested and complements the Lifestyle Options. The self-select funds provide a range of asset classes and investment approaches with different levels of expected risk and reward, so that members can tailor the investment of their DC pot more closely to their personal needs and attitude to risk – although it cannot be expected to cover all the investment needs of all members.

Full details of the Trustee's Investment Beliefs in relation to the self-select range are provided in Appendix 3. Full details of the self-select range are provided in Appendix 4.

4 Governance

4.1 Trustee's Powers

The Trustee will always act in the best interests of the members and will assess the suitability of different types of investments to meet the needs of members.

4.2 Responsibilities

The parties principally responsible for the investment governance and operation of the Plan are:

Employers – who pay over the contributions, provide membership data. The Principal Employer is consulted on the preparation of this document.

Trustee – who runs the Plan in accordance with its Rules and chooses the providers and funds

Platform Provider – provides access to a range of funds.

Investment Manager – undertakes the day-to-day investment management of the underlying funds' assets.

Pension Administrator – administers and maintains records of members' DC pots and calculates benefits.

Custodians – are appointed by the investment managers and look after the underlying assets of the funds.

Investment Consultant – advises the Trustee on the Plan's investments and preparation of this statement.

Members – should choose the investment option(s) in which contributions are invested.

The Trustee does not give advice to individual members on their fund selections. Members are encouraged to take independent financial advice when making their individual investment choices.

In preparing this Statement, the Trustee has taken into account current guidance from the Pensions Regulator.

Having taken advice from the Plan's Investment Consultant, the Trustee is satisfied that the selected Investment Manager has sufficient experience and expertise to carry out its role. The Trustee has delegated all day-to-day investment management decisions to the Investment Manager, who is authorised under the Financial Services & Markets Act 2000.

The responsibilities are described in greater detail in Appendix 1.

4.3 Conflicts of interest

The Trustee maintains a register of interests of each of the trustee directors and their advisers. This register is reviewed at each Trustee meeting to ensure that any potential conflicts between stakeholders are identified in a timely manner and dealt with appropriately.

4.4 Communication

The Trustee communicates regularly with all stakeholders. This includes the following:

- Consulting the Principal Employer on the content of this Statement;
- Producing the Annual Report and Accounts which includes the Chair's Statement;
- Completing an annual return to the Pensions Regulator;
- Meeting periodically with the Platform Provider, Investment Consultant, Investment Manager and the Pension Administrator;
- Providing a range of literature and other forms of communications, including but not limited to the website www.affinitywaterpensions.co.uk, to inform members and assist them in making their investment decisions. In addition, members have access to factsheets for each fund.

4.5 Service Providers

Details of the current service providers to the Plan are set out in Appendix 2 to this Statement.

4.6 Fees

Details of the current fees for the Plan's service providers and funds are set out in Appendix 5 to this Statement.

5 Monitoring

5.1 Investment Performance

The Trustee regularly reviews the performance of each fund in which the Plan invests against its stated performance objective. The Trustee receives an investment performance monitoring report on a quarterly basis.

5.2 Lifestyle Options

The Trustee monitors the suitability of the objectives for each Lifestyle Option and the performance (after the deduction of charges) of the Lifestyle Options against these objectives at least every three years and without delay after any significant change in: (i) investment policy; or (ii) the demographic profile of the membership.

5.3 Charges

The charges borne by members for each of the investment options are monitored by the Trustee annually to ensure that they represent "value for money" relative to the needs of the membership.

The Plan is a qualifying scheme for auto-enrolment purposes. The Trustee monitors the compliance of the Default Option with the charge cap introduced by the Pensions Act 2014.

Details of the current charges are set out in Appendix 4 to this Statement.

5.4 Transaction costs

The Trustee monitors the funds' transaction costs to ensure that they are reasonable and represent "value for money" to members.

5.5 Investment process

The Trustee monitors the processes whereby contributions in respect of members are invested and money is disinvested to pay benefits.

5.6 Chair's Statement

The Chair's Statement included in the Annual Report and Accounts confirms the results of the monitoring during the preceding year.

6 Responsible Investment

6.1 Consideration of financially material factors in investment arrangements

The Trustee expects the Investment Managers to have the financial interests of the members as the first priority when choosing investments

The Trustee recognises that the consideration of financially material factors, including ESG factors, is relevant at different stages of the investment process and should be actively reflected in decision making.

6.2 Strategic considerations

The strategic benchmark for the Plan, has been determined using appropriate long-term economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors including ESG factors and risks of climate change.

Given the inherent uncertainty, the Trustee has not made explicit allowance for the risks of climate change in setting their strategic benchmark.

6.3 Structural considerations

Given the discretion afforded to the active Investment Managers, the Trustee expects that their Investment Managers will take account of all financially material factors including the potential impact of ESG factors in the implementation of their mandate.

6.4 Selecting investment managers

Within active mandates, the Trustee has delegated responsibility for the consideration of stock specific issues to their individual Investment Managers.

In passive mandates, the Trustee recognises that the choice of benchmark dictates the assets held by the Investment Manager and that the manager has minimal freedom to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive manager is to deliver returns in line with the benchmark.

Where an investment manager incorporates ESG factors into the running of a fund, the Trustee would expect this to improve levels of risk control and would not expect any detrimental impact on financial outcomes.

The Trustee expects active managers to consider ESG risks when making decisions to buy, retain or sell investments. Active and passive managers are expected to actively engage with stakeholders to manager ESG risks.

At this time, the Trustee believes that ESG risk controls can be effectively achieved through active engagement by the Investment Manager rather than through the divestment or exclusion of particular investments. This view will be kept under review.

At this time, the Trustee will keep under review the possible ways specialist ESG managers or mandates can be implemented within the Plan's default strategy or self-select funds.

6.5 Consideration of non-financially material factors in investment arrangements

The Trustee has not imposed any restrictions or exclusions to the investment arrangements based on non-financially material factors.

The Trustee believes members will have a wide variety of views on non-financial factors relating to the Plan's investments and hence it will not be feasible to cater specifically for all these views through the Plan's investment arrangements.

The Trustee will consider adding pooled funds which are managed to a set of predetermined ethical guidelines, acknowledging that this a pragmatic way of offering an ethical option but that it is unlikely to account of all individual member's views.

6.6 Stewardship

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies.

Members' financial interests

The Trustee expects that the investment platform provider and fund managers will have the members' financial interests as their first priority when choosing investments.

Conflicts of interest – platform provider

When appointing platform providers and choosing investment managers' funds on the provider's platform, the Trustee will seek to establish that the platform provider and each investment manager has an appropriate conflicts of interest policy in place.

When given notice the Trustee will consider the impact of any conflicts of interest arising in the management of the funds used by the Plan.

The Trustee will consider any conflicts of interest arising in the management of the funds used by the Plan and has ensured that the platform provider and each investment manager has an appropriate conflicts of interest policy in place.

6.7 Voting and engagement

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.

Where relevant, the Trustee will review the voting policies of their Investment Managers and determined that these policies are appropriate.

The Trustee does not engage directly but expects its Investment Managers to engage with key stakeholders which may including corporate management, regulators and governance bodies, relating to their investments in order to improve corporate behaviours, improve performance and mitigate financial risks.

The Trustee believes that passive managers can have significant influence on investee companies where the manager has meaningful scale of investment in equity markets. The Trustee acknowledges that passive managers lack the ability to divest stocks from index tracking funds as an ultimate deterrent, but that other actions such as voting against the board or supporting shareholder resolutions at general meetings can be powerful tools.

6.8 Monitoring

The Trustee will monitor Investment Managers ESG related decisions and voting activity and may periodically review managers voting patterns. To facilitate this, the Trustee will request that Investment Managers provide reports containing evidence of the implementation of their policies on ESG risk management and voting.

The Trustee aims to engage with all their Investment Managers on a periodic basis. The Trustee provides their managers with an agenda for discussion, including, where appropriate, ESG issues.

7 Policy on investment manager and fund arrangements

7.1 Structure of the investment arrangements

The Plan invests contributions for members through the provider's investment platform. Contributions buy units in the provider's funds. The provider in turn backs the value of its funds by buying units in funds from a selection of fund managers where investments are pooled with other investors. This enables the Plan to invest in a range of funds giving a good spread of investments in a cost-effective manner.

The Plan's asset, and the Trustee's contract with the provider, is the policy of insurance issued by the provider. As a result, the Trustee does not have any contractual arrangement with the investment managers or title to the underlying funds' assets.

7.2 Delegation of investment decisions

The investment of contributions through the provider's investment platform means that the Trustee has delegated day to day investment decisions including the management of financially material considerations to the provider, who has in turn delegated these investment decisions to the investment managers.

7.3 Selection of funds

The Trustee will invest in funds on the provider's platform which in turn invest in the investment managers' pooled funds. The objectives of the funds and the policies of the investment managers will be evaluated by the Trustee to ensure that they are appropriate for the needs of the Plan. The Trustee considers written advice from a suitably qualified person when determining the appropriateness of each investment manager and fund for the Plan, particularly in relation to diversification, risk, expected return and liquidity.

The Trustee's choice of funds, and hence choice of approaches to aspects such as responsible investment and shareholder engagement, are constrained by the choice of funds available on the provider's platform. While the Trustees will endeavour as far as possible to select a platform provider and funds on that provider's platform which are consistent with the Plan's investment objectives and the Trustee's investment beliefs, this needs to be balanced against the wider benefits of access to the other funds on the platform and the other services from the platform provider as well as taking into consideration the costs of change to the Plan and its members.

The Trustee's will engage with the platform provider to obtain funds which meet the Trustee's investment beliefs and are expected to improve outcomes for members, but this is subject to being commercially viable for the provider and consistent with the charge cap for the default arrangement. The Trustee expects the provider to encourage the investment managers to adopt appropriate practices for responsible investment and shareholder engagement.

The Trustee will periodically review the choice of platform provider, at which time the suitability of the provider's fund range and effectiveness of its governance of the investment managers on its platform will be key criteria.

7.4 Manager incentives

Remuneration for each fund is determined prior to initial investment. It is based on commercial considerations and typically set on an ad valorem basis.

The complete basis of remuneration of the investment managers by the platform provider may be subject to commercial confidentiality, however, the Trustee will seek transparency of all costs and charges borne by members.

When selecting funds, the Trustees will ask their investment adviser to consider the investment managers' fees and appropriateness of each fund's investment guidelines. Ongoing assessment is carried out in the following ways:

- In accordance with the 2015 Regulations, the Trustee conducts an annual Value for Members assessment and will include peer comparison.
- In accordance with guidance from the Pensions Regulator, the Trustee will periodically review the Plan's choice of provider to ensure their charges and services remain competitive.
- On a quarterly basis, the Trustee monitors the investment managers' long-term (at least 3 year) performance against appropriate benchmarks or targets. Return of their funds' respective benchmarks or performance targets;
- The platform provider or investment managers are expected to provide explanations for any significant divergence from a fund's objectives.
- The Trustee also undertakes a review at least every three years of the overall appropriateness of the investment options for the members.

If fund fees are not deemed to be providing good value, or if there is a material deviation from performance and risk targets or approach to portfolio management, the fund will be subject to review. This will involve engaging with the provider and may ultimately lead to changing investment managers or changing the provider.

The Trustee believes that these steps are the most effective way of incentivising the provider to deliver Value for Members, of which investment management charges and investment performance are key considerations.

7.5 Portfolio turnover

The Trustee does not expect investment managers to take excessive short-term risk and will monitor the investment manager's performance against the benchmarks and objectives on a short, medium and long terms basis.

When selecting funds, the Trustee will consider, with the help of their investment adviser, the expected level of turnover commensurate with a fund's investment objectives, the investment manager's investment processes and the nature of the fund's assets.

Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee will ask the investment platform provider or investment managers on the platform to report on at least an annual basis on the underlying assets held within fund with details of turnover over the Plan's reporting year. The Trustee will challenge the provider or managers if the level of turnover seems out of line with expectations.

7.6 Portfolio duration

The Trustee recognises the long-term nature of defined contribution pension investments and chooses funds which are expected to deliver sustainable returns over the Plan members' investment horizon. The Trustee will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the objectives for the related investment option.

The Trustee expects that each fund will be used for the long-term, although all funds are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy.

7.7 Security of assets

The funds are provided through a policy of insurance issued to the Trustee by the platform provider. As a result, the value of the funds may be affected in the event of the provider getting into financial difficulties.

The underlying funds used by the provider's platform are accessed through unit purchase agreements. In the event of a fund manager getting into financial difficulties, the values in these underlying funds will depend upon the nature of the contract with the platform provider and the fund vehicles used by the fund managers' funds.

7.8 Private Markets

The Trustee acknowledges the evolution of the investment landscape for DC schemes, which has more recently improved the feasibility of incorporating illiquid assets into the Plan's default investment strategy.

These developments present the potential for diversification and enhanced returns within the Plan's investment strategy. However, the Trustee recognises that the decision to invest in illiquid assets requires careful consideration. The Plan does not have a standalone allocation to illiquid assets although has a small amount of exposure via the L&G Dynamic Diversified Fund and the L&G Retirement Income Multi-Asset Fund. The Trustee is mindful of the inherent challenges and risks associated with illiquid investments, emphasising the need for a thorough evaluation before committing assets to such strategies.

Based on historical performance, the Trustee believes illiquid assets (such as private equity, infrastructure, and private debt) can provide excess returns compared to listed assets (i.e. they have an illiquidity premium). However, the Trustee's inclination is to exercise patience and prudence by awaiting further evidence of the market's development. The Trustee aims to observe the maturation of the market for illiquid assets and closely monitor the performance of associated products. This cautious stance ensures that any potential investment aligns with the Plan's risk tolerance, objectives, and the fiduciary duty to safeguard the interests of members.

The Trustee sets clear criteria for prospective entry into the illiquid asset market. The decision to invest will be contingent upon the products within this market reaching a level of maturity. This encompasses the establishment of a proven history of success, demonstrating the resilience and reliability of the investment options under consideration.

The Trustee maintains a steadfast commitment to prioritising the best interests of the Plan's members. The decision-making framework is centred on prudence, diligence, and a fiduciary responsibility to ensure that any investment into illiquid assets aligns with the Plan's overarching goals and obligations.

This Statement of Investment Principles was completed on 10 September 2024. It will be next reviewed no later than 2027.

Signed on behalf of the Trustee of the Plan:

Name	Signature	Date
Hetal Kotecha		30 October 2024
Michael Calabrese		30 October 2024

Appendix 2 - Table of funds and charges

2a Default arrangement

The funds' charges (as "Total Expense Ratios") and transaction costs in the year used in the default arrangement were:

Fund	Charges *		Underlying Fund**	Transaction costs	
	% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
Affinity Water Growth Fund	0.35	£3.50	L&G Future World Fund	0.07	£0.70
	0.23	£2.30	L&G Future World Global Equity Index Fund	0.01	£0.10
L&G Dynamic Diversified Fund	0.51	£5.10	L&G Dynamic Diversified Fund	0.09	£0.90
L&G Retirement Income Multi-Asset Fund	0.36	£3.60	L&G Retirement Income Multi-Asset Fund	0.06	£0.60
L&G AAA-AA-A Corporate Bond All Stocks Index Fund	0.15	£1.50	L&G AAA-AA-A Corporate Bond All Stocks Index Fund	0.00	£0.00
L&G Cash Fund	0.13	£1.30	L&G Cash Fund	0.07	£0.70
Range of charges for default lifestyle strategy	**0.13% - 0.51%**	**£1.30 - £5.10**		**0.00% - 0.09%**	**£0.00 - £0.90**

Source: Legal & General, as at 31 December 2024

2b Other default arrangements

The funds' charges (as "Total Expense Ratios") and transaction costs in the year used in the "inadvertent" default arrangement due to the suspension of the L&G Managed Property Fund:

Fund	Charges *		Underlying Fund**	Transaction costs	
	% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
L&G Cash Fund	0.13	£1.30	L&G Cash Fund	0.07	£0.70

Source: Legal & General, as at 31 December 2024

2c Alternative lifestyle arrangements

The funds' charges (as "Total Expense Ratios") and transaction costs in the year used in the alternative lifestyle options (Annuity Lifestyle and Cash Lifestyle) were:

Fund	**Charges ***		**Underlying Fund****	**Transaction costs**	
	% p.a. of the amount invested	**£ p.a. per £1,000 invested**		**% p.a. of the amount invested**	**£ p.a. per £1,000 invested**
Affinity Water Growth Fund	0.35	£3.50	L&G Future World Fund	0.07	£0.70
	0.23	£2.30	L&G Future World Global Equity Index Fund	0.01	£0.10
L&G Dynamic Diversified Fund	0.51	£5.10	L&G Dynamic Diversified Fund	0.09	£0.90
L&G Retirement Income Multi-Asset Fund	0.36	£3.60	L&G Retirement Income Multi-Asset Fund	0.06	£0.60
L&G AAA-AA-A Corporate Bond All Stocks Index Fund	0.15	£1.50	L&G AAA-AA-A Corporate Bond All Stocks Index Fund	0.00	£0.00
L&G Cash Fund	0.13	£1.30	L&G Cash Fund	0.07	£0.70
LGIM Future World Annuity Aware Fund	0.15	£1.50	LGIM Future World Annuity Aware Fund	0.00	£0.00
Range of charges for default lifestyle strategy	**0.13% - 0.51%**	**£1.30 - £5.10**		**0.00% - 0.09%**	**£0.00 - £0.90**

Source: Legal & General, as at 31 December 2024

2d Self-select funds outside the default arrangement

The funds' charges (as "Total Expense Ratios") and transaction costs in the year for the self-select funds were:

Fund	Charges *		Underlying Fund**	Transaction costs	
	% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
Affinity Water Growth Fund	0.35	£3.50	L&G Future World Fund	0.07	£0.70
	0.23	£2.30	L&G Future World Global Equity Index Fund	0.01	£0.10
L&G Dynamic Diversified Fund	0.51	£5.10	L&G Dynamic Diversified Fund	0.09	£0.90
L&G Retirement Income Multi-Asset Fund	0.36	£3.60	L&G Retirement Income Multi-Asset Fund	0.06	£0.60
L&G AAA-AA-A Corporate Bond All Stocks Index Fund	0.15	£1.50	L&G AAA-AA-A Corporate Bond All Stocks Index Fund	0.00	£0.00
L&G Cash Fund	0.13	£1.30	L&G Cash Fund	0.07	£0.70
LGIM Future World Annuity Aware Fund	0.15	£1.50	LGIM Future World Annuity Aware Fund	0.00	£0.00
LGIM World Equity Index Fund	0.20	£2.00	LGIM World Equity Index Fund	0.02	£0.20
LGIM UK Equity Index Fund	0.10	£1.00	LGIM UK Equity Index Fund	0.02	£0.20
LGIM Managed Property Fund^	0.90	£9.00	LGIM Managed Property Fund	-0.01	£-0.10
Range of charges for default lifestyle strategy	**0.10% - 0.90%**	**£1.00 - £9.00**		**-0.01% - 0.09%**	**-£0.10 - £0.90**

Source: Legal & General, as at 31 December 2024

2e AVC funds for members in the DB section

Fund	Charges *		Transaction Costs	
	% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1000 invested
Prudential Global Equity Fund	0.77	£7.70	0.07	£0.70
Prudential UK Equity Fund	0.72	£7.20	0.07	£0.70
Prudential Discretionary Fund	0.75	£7.50	0.11	£1.10
Prudential Cash Fund	0.55	£5.50	0.00	£0.00
Prudential With Profits	n/a	n/a	n/a	n/a
Range of charges for AVC funds	0.55% - 0.77%	£5.50 - £7.70	0.00% - 0.11%	£0.00 - £1.10

Please note the charges are as at October 2024 and the transaction costs are as at June 2024.

Data for the Prudential With Profits Fund are not available.

Notes

* Charges = the funds' Total Expense Ratio ("TER"), which includes the funds' Annual Management Charge ("AMC") and Operating Costs and Expenses ("OCE")

** Underlying Fund = the fund in which the Plan's top level fund invests.

^ This fund invests directly in property. As a result, in addition to the fund's Total Expense Ratio, members also bear the cost of items such as property management and maintenance, known as the "Property Expense Ratio". As per industry practice with regards to Chair's Statements, the Total Expense Ratio is displayed above instead of the Property Expense Ratio.

Appendix 3 - Tables illustrating the impact of charges and costs

These illustrations show projected fund values in today's money before and after costs and charges for typical members. Projected values are shown for various 'lifetime' stages from joining the Plan at age 21 up to retirement.

The tables below show these figures for:

- The default arrangement for the youngest member (aged 21);
- The default arrangement for a member (aged 25) with a lower contribution (9%);
- The default arrangement for a member (aged 25) with a higher contribution (18%);
- The default arrangement for an older member (aged 55);
- The inadvertent default arrangement for the youngest member (aged 21);
- The inadvertent default arrangement for a member (aged 25) with a lower contribution (9%);
- The inadvertent default arrangement for a member (aged 25) with a higher contribution (18%);
- The inadvertent default arrangement for an older member (aged 55).

2 funds from the Plan's self-select fund range:

- The fund with lowest annual member-borne costs – the UK Equity Index Fund;
- The fund with highest annual member-borne costs – the Managed Property Fund.

The "before costs" figures represent the savings projection assuming an investment return with no deduction of member-borne fees or transaction costs.

The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member-borne fees and an allowance for transaction costs.

As an example: For a member at retirement with 40 years of service in the new default arrangement with the higher contribution rate of 18%, the current level of costs and charges could result in £56,870 being deducted from a final pot of £657,291.

Notes on illustrations

- These illustrated values are not guaranteed and may not prove to be a good indication of how your own savings might grow;
- The transaction cost figures used in the illustration are those provided by the managers and are an average of the transaction costs over the past five years, and a floor of 0% p.a. has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time; and
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.

Assumptions

The assumptions used in these calculations are:

- The opening DC pot size is £6,335 for the youngest member (aged 21), £5,000 for the member aged 25, £120,000 for the older member (aged 55);
- Annual salary of £19.7k for the youngest member (aged 21), £28k for the member aged 25 and £65k for the older member (aged 55) increasing 3.5% per annum (after allowing for inflation) during the member's career;
- Low contribution rate equates to 9% (3% employee contribution and 6% employer contribution);
- High contribution rate equates to 18%, also used for the older member and youngest member (6% employee contribution and 12% employer contribution);
- All members have a nominated retirement age of 65; and
- The investment return for each fund above was:

Fund	Return % p.a.
L&G World Equity Index	6.0
L&G AAA-AA-A Corporate Bond All Stocks Index	4.0
L&G Dynamic Diversified	4.0
L&G Retirement Income Multi-Asset	4.0
L&G Managed Property Fund	4.0

L&G Cash	2.0
L&G Future World	6.0
L&G Future World Global Equity Index	6.0

The rate of inflation is 2.5% p.a.

The charges used within the illustrations can be found within Appendix 2.

The assumptions as used in the Statutory Money Purchase Illustrations (in line with AS TM1) included with members' annual benefit statements have otherwise been used.

Please note that these illustrated values:

- Are estimates using assumed rates of future investment returns and inflation which may not be borne out in practice;
- Rely on assumptions that may differ in the future to reflect changes in regulatory requirements or investment conditions;
- Will be affected by future, and as yet unknown, changes to the Plan's investment options;
- Are not guaranteed;
- Do not take into account any tax relief (i.e. we have assumed contributions paid do not reflect any benefit from salary sacrifice, therefore, in reality the contributions paid would be higher than those shown);
- Depend upon how far members in the default lifestyle option are from retirement as the funds used change over time;
- May not prove to be a good indication of how your own savings might grow; and
- Comply with the Technical Actuarial Standards (TAS) 100: Principles for Technical Actuarial Work.

The following tables show the potential impact of the costs and charges borne for a range of typical active members in the default arrangement in today's money at several times up to retirement for a selection of funds and contribution levels, to show the difference in compounding effect of the charges of each fund:

For the default arrangement – youngest member (21 years old)

Years to retirement	Before costs and charges	After costs and charges are taken
0	£590,474	£535,010
1	£569,163	£516,153
3	£526,352	£479,161
5	£485,265	£444,439
10	£392,376	£365,801
15	£291,515	£276,696
20	£199,258	£191,575
25	£135,865	£131,630
30	£87,306	£85,239
35	£50,512	£49,702
40	£23,005	£22,820
44	£6,335	£6,335

Source: Hymans Robertson and L&G

For the default arrangement – low contribution (25 years old)

Years to retirement	Before costs and charges	After costs and charges are taken
0	£336,738	£307,094
1	£323,833	£295,571
3	£298,020	£273,029
5	£273,325	£251,900
10	£217,742	£204,219
15	£158,763	£151,578
20	£105,598	£102,123
25	£69,027	£67,272
30	£41,238	£40,504
35	£20,389	£20,188
40	£5,000	£5,000

Source: Hymans Robertson and L&G

For the default arrangement – high contribution (25 years old)

Years to retirement	Before costs and charges £	After costs and charges are taken £
0	£657,291	£600,421
1	£631,661	£577,481
3	£580,455	£532,636
5	£531,512	£490,616
10	£421,486	£395,892
15	£305,509	£292,090
20	£201,409	£195,044
25	£129,780	£126,644
30	£75,480	£74,225
35	£34,865	£34,553
40	£5,000	£5,000

Source: Hymans Robertson and L&G

For the default arrangement – older member (55 years old)

Years to retirement	Before costs and charges	After costs and charges are taken
0	£282,812	£272,413
1	£264,127	£254,765
3	£227,852	£220,847
5	£193,926	£189,346
10	£120,000	£120,000

Source: Hymans Robertson and L&G

The following tables show the potential impact of the costs and charges borne for a range of typical active members in the inadvertent default arrangement in today's money at several times up to retirement for a selection of funds and contribution levels:

For the inadvertent default arrangement – youngest member (21 years old)

Years to retirement	Before costs and charges	After costs and charges are taken
0	£325,245	£315,054
1	£311,961	£302,322
3	£286,658	£278,058
5	£262,948	£255,306
10	£209,981	£204,407
15	£164,894	£160,976
20	£126,463	£123,846
25	£93,650	£92,029
30	£65,580	£64,688
35	£41,512	£41,116
40	£20,819	£20,715
44	£6,335	£6,335

Source: Hymans Robertson and L&G

For the inadvertent default arrangement – low contribution (25 years old)

Years to retirement	Before costs and charges	After costs and charges are taken
0	£195,525	£189,731
1	£187,241	£181,781
3	£171,457	£166,625
5	£156,663	£152,406
10	£123,594	£120,572
15	£95,415	£93,369
20	£71,367	£70,073
25	£50,805	£50,068
30	£33,185	£32,836
35	£18,047	£17,938
40	£5,000	£5,000

Source: Hymans Robertson and L&G

For the inadvertent default arrangement – high contribution (25 years old)

Years to retirement	Before costs and charges £	After costs and charges are taken £
0	£386,939	£375,659
1	£370,350	£359,732
3	£338,742	£329,366
5	£309,113	£300,877
10	£242,869	£237,070
15	£186,406	£182,524
20	£138,200	£135,784
25	£96,965	£95,624
30	£61,610	£61,003
35	£31,214	£31,043
40	£5,000	£5,000

Source: Hymans Robertson and L&G

For the inadvertent default arrangement – older member (55 years old)

Years to retirement	Before costs and charges	After costs and charges are taken
0	£246,242	£242,846
1	£231,777	£228,825
3	£204,172	£202,032
5	£178,237	£176,816
10	£120,000	£120,000

Source: Hymans Robertson and L&G

For the funds with the highest and lowest member-borne charges with a high contribution (25 years old):

Years to retirement	UK Equity Index Fund (lowest cost)		Managed Property Fund (highest cost)	
	Before costs and charges	After costs and charges are taken	Before costs and charges	After costs and charges are taken £
0	£769,251	£752,255	£533,887	£459,436
1	£725,718	£710,070	£507,880	£438,376
3	£644,673	£631,459	£458,770	£398,420
5	£571,095	£559,997	£413,312	£361,193
10	£415,814	£408,845	£314,039	£278,916
15	£294,889	£290,737	£232,588	£210,115
20	£201,409	£199,116	£166,031	£152,687
25	£129,780	£128,654	£111,905	£104,851
30	£75,480	£75,031	£68,139	£65,106
35	£34,865	£34,753	£32,991	£32,180
40	£5,000	£5,000	£5,000	£5,000

Source: Hymans Robertson and L&G

Appendix 4

Investment performance

This appendix shows the annual and the 3-year returns, after the deduction of member-borne charges and transaction costs, for all investment options that members are able, or were previously able, to select and in which members were invested during the Plan Year.

For the arrangements where returns vary with age, such as for the default strategy, returns are shown over the Plan Year for a member aged 25, 45 and 55, at the start of the period, for the returns are shown below.

- Affinity Water Default net returns over periods to the Plan's year end
- Affinity Water other lifestyle option net returns over periods to the Plan's year end.

Default arrangement

The investment performance of the funds used in the default arrangement during periods up to 31 December 2024 net of all costs and charges expressed as an annual geometric compound percentage were:

Age of member at start of period	1 year (%)	3 years (% p.a.)
25 years old	16.32	6.17
45 years old	16.32	6.17
55 years old	5.02	1.42

Source: L&G

Other investment options

The investment performance of the funds used in the other investment options during periods up to 31 December 2024 net of all costs and charges expressed as an annual geometric compound percentage were:

Annuity lifestyle option

Age of member at start of period	1 year (%)	3 years (% p.a.)
25 years old	16.32	6.17
45 years old	16.32	6.17
55 years old	5.02	1.42

Source: L&G

Cash lifestyle option

Age of member at start of period	1 year (%)	3 years (% p.a.)
25 years old	16.32	6.17
45 years old	16.32	6.17
55 years old	5.02	1.42

Source: L&G

Self-select funds

The investment performance for the funds within the self-select fund range to 31 December 2024 net of all costs and charges expressed as an annual geometric compound percentage were:

Fund	1 year (%)	3 years (% p.a.)
L&G World Equity Index Fund	19.36	8.92
L&G Dynamic Diversified Fund	5.02	1.42
L&G Retirement Income Multi-Asset Fund	4.56	1.29
L&G AAA-AA-A Corporate Bond All Stocks Index Fund	1.04	-3.54
L&G Cash Fund	5.17	3.64
LGIM Future World Annuity Aware Fund	-4.10	-9.87
L&G UK Equity Index Fund	9.35	5.79
L&G Managed Property Fund	4.82	-1.97

Source: Legal & General

AVC funds for members in the DB section

The investment performance for the AVC funds for members in the DB section to 31 December 2024 net of all costs and charges expressed as an annual geometric compound percentage were:

Fund	1 year (%)	3 years (% p.a.)	5 years (% p.a.)
Prudential Global Equity Fund	10.4	4.8	5.7
Prudential UK Equity Fund	7.7	2.8	3.4
Prudential Discretionary Fund	7.7	2.5	4.6
Prudential Cash Fund	5.0	3.8	2.3

Source: Prudential

Note: Performance for the Prudential With Profits Fund has not been included due to the nature of the bonus declaration process and smoothing of investment returns.