

This is the Statement of Investment Principles (the “Statement”) made by Affinity Water Pension Trustees Limited, as Trustee (the “Trustee”) of the Affinity Water Pension Plan (“the Plan”) in accordance with the Pensions Act 1995 (as amended). The Statement was approved by the Trustee on 23 March 2026 and supersedes previous statements. Further reviews of this Statement will be carried out periodically at least every three years and without delay after any significant changes in investment policy.

The Trustee retains responsibility for the Plan’s overall investment strategy. However, an Investment and Funding Committee (‘IFC’) has been established to execute the strategy including the monitoring of investment performance and investment managers. Currently the IFC consists of at least three Trustee Directors. Company representatives also attend IFC meetings by invitation.

This Statement deals with the defined benefit section of the Plan respectively. A separate statement has been made for the defined contribution section of the Plan.

In preparing this Statement, the Trustee has consulted with the principal employer to the Plan and has taken and considered written advice from Hymans Robertson LLP.

The defined benefit section is closed to new members.

Plan objective

The primary objective of the Plan is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The Trustee’s over-riding funding principles for the Plan are to:

- ensure that there are always sufficient assets of the Plan (at their realisable value) to meet 100% of benefits as they fall due for payment to members; and
- build up assets to provide for new benefits of active members as they are earned.

Subject to the above over-riding principles, the Plan’s assets may be used to generate a surplus to fund Affinity Water Limited’s (the “Company”) required contributions to the Money Purchase Division (“MP Section”) subject to suitable safeguards in place such that the Plan’s funding level is maintained at a level to ensure the funding principles, as outlined above, are maintained.

For employee members, benefits are based on service completed but take account of future salary increases. The value of liabilities is calculated on the basis agreed by the Trustee and the Plan Actuary. The funding position was formally reviewed at the actuarial valuation on 31 December 2023 and will be formally reassessed at each triennial actuarial valuation, or more frequently as required by the Pensions Act 2004.

Investment strategy

The Trustee has translated its objectives into a suitable strategic asset allocation benchmark for the Plan.

The Trustee has reviewed, and considered advice on, the Plan's asset allocation and has deemed it appropriate. The strategic benchmark is consistent with the Trustee's view on the appropriate balance between seeking an enhanced long-term return on investments and accepting greater short-term volatility and risk.

The investment strategy takes account of the nature of the Plan's liabilities (in particular the maturity profile of the Plan in terms of the relative proportions of liabilities in respect of pensioners and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used) and the Trustee's view of the covenant of the principal employer.

The Trustee monitors asset allocation on a regular basis. It is intended that the investment strategy will be reviewed formally as part of each actuarial valuation process and will be supplemented by interim reviews as deemed necessary. Written advice is received as required from professional advisers.

The Trustee monitors the performance of the Plan's investments relative to agreed criteria on a regular basis.

The Trustee has delegated all day-to-day investment decisions to authorised investment managers.

Choosing investments

The Trustee has appointed several investment managers who are either authorised under the Financial Services and Markets Act 2000 to undertake investment business or the Trustee is satisfied that they have appropriate controls in place. The Trustee, after taking appropriate advice, has given or accepted the investment managers' specific guidelines including, but not limited to, asset allocation and geographic spread, on how investment mandates are to be managed. The investment managers are allowed some flexibility of choice subject to their benchmarks and other guidelines and are expected to maintain diversified portfolios.

Some of the pooled funds in which investment is made are managed on an active basis, whilst others are managed on a passive basis. The manager of an active fund seeks to exceed the performance of the stated benchmark or target of the fund. The manager of a passive fund seeks to match, rather than exceed, the performance of a benchmark by investing in stocks in such a way as to replicate, as closely as possible, the composition of the benchmark.

The Trustee has appointed each of its investment managers to deliver a specific benchmark, which overall will align to deliver the broader Plan investment strategy. The Trustee ensures that all manager engagements have clearly defined benchmarks, objectives and management parameters.

Where appropriate, and where commercial considerations permit, the terms of the mandate and the basis on which the manager is engaged will be defined specifically for the Plan. Where such tailoring is not directly achievable, the Trustee will invest in pooled funds where the objectives of the fund and the policies of the investment manager will be evaluated by the Trustee to ensure that they are appropriate for the needs of the Plan.

Investment manager remuneration

Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations and typically set on an ad valorem basis. Where appropriate to the nature of the mandate, the term of the mandate and the role the mandate plays within the investment strategy, the Trustee may agree to a fee structure where the manager is incentivised to deliver outperformance relative to an agreed benchmark, typically in conjunction with a lower ad valorem fee. The Trustee reviews the actual fees paid to managers on a quarterly basis and periodically reviews the fees paid to all of its managers against industry standards.

Investment time horizon

The Trustee reviews the nature of the Plan's investments on a regular basis, with particular reference to suitability and diversification. The Trustee seeks and considers written advice from a suitably qualified person when determining the appropriateness of each manager and mandate for the Plan, particularly in relation to diversification, risk, expected return and liquidity. If, at any time, investment in a security or product not previously known to the Trustee is proposed, appropriate advice is sought and considered to ensure its suitability. The Trustee recognises the long-term nature of its liability profile and appoints its managers to invest in such a way that generates long-term sustainable returns. 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 Plan's objective.

The duration of each mandate is determined by the Trustees at the inception of each mandate. For open-ended investments, the Trustee generally engages managers on an ongoing basis with no pre-determined term of appointment. For such mandates, the Trustee expects the minimum duration of the appointment will be three years, this being the period over which performance of the mandate can be appropriately evaluated although all mandates are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy. For close-ended investments, the Trustees expect the term of the appointment to be the lifetime of the investment.

The Trustee monitors its managers performance against their respective benchmarks or targets on a quarterly basis over a long term time horizon of 3 years. Managers are expected to provide explanation for any significant deviations away from benchmark or target.

Kinds of investment to be held

The Trust Deed and Rules grants the Trustee wide powers of investment. The Plan may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds and loans, cash, asset-backed securities and infrastructure either directly or through pooled funds. Where invested in pooled funds, the Trustee is satisfied that the funds selected are consistent with the objectives of the Plan, particularly in relation to diversification, risk, expected return and liquidity.

The Plan invests across a range of asset classes covering both regulated and unregulated markets. Most of the Plan's assets are invested in regulated markets and any assets that are not invested in regulated markets are kept to a prudent level. These types of investments enable the Plan as a long-term investor to benefit from the diversification and illiquidity premium these assets provide. In some instances, the Plan also makes use of

derivatives to replicate exposure to assets traded on regulated markets, an approach which aims to improve overall portfolio efficiency.

The Plan may also make use of contracts for differences and other derivatives (whether by direct investment or in pooled funds investing in these products) for the purpose of efficient portfolio management or to hedge specific risks. The Trustee considers all of these classes of investment to be suitable to the circumstances of the Plan.

Balance between different kinds of investments

The Plan's investment managers will hold a mix of investments which reflect their views relative to their respective benchmarks or return targets. Within each major market, each manager will maintain a diversified portfolio of stocks.

The managers of the passive funds in which the Plan invests hold a mix of investments within each pooled fund that reflects that of their respective benchmarks.

Risk

The Plan is exposed to a number of risks which pose a threat to the Plan meeting its objectives. The principal risks affecting the Plan are:

Funding risks

- Financial mismatch – The risk that Plan assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics – The risk that longevity improves, and other demographic factors change, increasing the cost of the Plan benefits.
- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in a shortfall in the assets required to meet the Plan's liabilities. For example, climate change is a particular systemic risk that has the potential to cause economic, financial and demographic impacts.
- Surplus utilisation – The utilisation of the Plan's surplus to pay Plan expenses, meet the cost of future accrual, and to support the Company's contributions to the MP Section may increase the level of funding volatility of the Plan.

The Trustee manages financial mismatch in a number of ways. First, the Trustee has invested in a range of pooled funds which are designed to change in value in a similar way to the liability in response to changes in interest rates and inflation. The Trustee monitors the asset allocation of the Plan on an ongoing basis and assesses risk by monitoring the Plan's asset allocation and investment returns relative to appropriate benchmarks. The Trustee also assesses risk relative to liabilities by monitoring the value of the Plan's assets relative to liabilities.

The Trustee keeps mortality and other demographic assumptions, which could influence the cost of benefits, under review. These assumptions are considered formally at triennial valuations.

The Trustee seeks to mitigate systemic risk through a diversified portfolio, but it is not possible to make specific provision for all possible eventualities that may arise.

The Trustee seeks to mitigate the risks introduced by the surplus utilisation framework through a robust agreement to monitor the funding level to ensure it remains sufficient to meet Plan liabilities prior to utilising any funds. This is supported by inclusion of a funding level buffer and mechanisms to limit and/or reimburse the Plan should the funding level sufficiently deteriorate.

Asset risks

- Concentration risk - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Collateral risk – The risk that there is insufficient capital in the Liability Driven Investment (LDI) portfolio to support the desired level of hedging.
- Illiquidity risk - The risk that the Plan cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk - The risk that the currency of the Plan's assets underperforms relative to Sterling (i.e., the currency of the liabilities).
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.
- 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.

The Trustee manages asset risks as follows. The Trustee provides a practical constraint on Plan investments deviating greatly from the intended approach by investing in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrain risk within their expected parameters.

By investing across a range of assets, including quoted equities and bonds, the Trustee recognises the need for some access to liquidity in the short term.

The majority of the Plan's assets are denominated in (or hedged into) sterling, which mitigates potential currency risk.

The risk of manager underperformance is mitigated to some extent by the inclusion of passive investment mandates within the investment portfolio. Through the use of several investment managers, the Trustee has considered the risk of underperformance by any single investment manager.

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

The Trustee's approach to the consideration of ESG risks and climate risk is set out in further detail below.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Trustee seeks professional advice.
- Custody risk - The risk of losing economic rights to Plan assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.

The Trustee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations conducted for the Plan, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g., custody risk in relation to pooled funds). When carrying out significant transitions, the Trustee seeks professional advice.

Expected return on investments

The investment strategy aims to achieve a return on Plan assets which, taken in conjunction with contributions, is sufficient over time to meet the Plan's pension liabilities.

Realisation of investments

The majority of the Plan's investments are invested in liquid markets and may be realised quickly if required.

Interests in infrastructure and debt instruments (which are accessed through limited partnerships and debt arrangements) may be difficult to realise quickly. The Trustee monitors the level of investment in illiquid assets. It will only invest if it is satisfied that the Plan has access to sufficient liquid assets elsewhere to cover its expected needs (with a margin) for the life of the illiquid investment.

Portfolio turnover

The Trustee has expectations of the level of turnover within each mandate which is determined at the inception of the mandate, based on the Trustee's knowledge of the manager, investment process and the nature of the portfolio. Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee expects managers to report on at least an annual basis on the underlying assets held within the portfolio and details of any transactions over the period.

The Trustee will challenge its managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

The Trustee will request turnover costs incurred by the asset manager over the Plan's reporting year.

Consideration of financially material factors in investment arrangements

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.

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 over the implication of climate change, the Trustee has not made explicit allowance for the risks of climate change in setting their strategic benchmark.

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.

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 manage 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.

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.

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.

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.

Responsibility for investment decisions has been delegated to the investment managers which includes consideration of the capital structure of the investments and appropriateness of any investment made. Where managers are responsible for investing in a new issuance, the Trustee expects the manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The Trustee 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.

The Trustee separately considers any conflicts of interest arising in the management of the Plan and its investments. Managers are required to disclose any potential or actual conflict of interest in writing to the Trustee.

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.

Additional Voluntary Contributions (AVCs)

The Trustee historically gave members the opportunity to pay AVCs. A range of funds is available for investment for eligible members.

Signed on behalf of the Trustee of the Affinity Water Pension Plan

Name: Michael Calabrese

Name: Hetal Kotecha

Date: 23 March 2026
