



DCWW PENSION SCHEME STATEMENT OF INVESTMENT PRINCIPLES

June 2025



Document Control

Document Name:	DCWW Pension Scheme Statement of Investment Principles		
Author:	BlackRock	Latest Version:	2.1

Publication History

Version	Version Date	Revised By	Description of Change(s)
1.0	04/12/2023	Original	
1.1	05/06/2025	BlackRock and Barnett Waddingham	Reflection of the new investment strategy and role of Barnett Waddingham as the Investment Adviser.

DCWW Pension Scheme
Statement of Investment Principles
June 2025

1. INTRODUCTION

- 1.1 Welsh Water Pension Trustee Limited (“the **Trustee**”) as sole trustee of the DCWW Pension Scheme (“the **Scheme**”) has prepared this Statement of Investment Principles (“**SIP**”) to govern the investment decisions of the Scheme in order to meet its investment objective.
- 1.2 In preparing the SIP the Trustee has obtained and considered appropriate written advice from Barnett Waddingham (the “**Adviser**”), the Trustee’s strategic adviser. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.
- 1.3 BlackRock (the “**Manager**”) is the fiduciary manager of the Scheme’s assets.
- 1.4 In preparing the SIP the Trustee has consulted Dŵr Cymru Welsh Water, the Scheme’s principal employer (the “**Principal Employer**”), and the Trustee will consult the Principal Employer before revising the SIP in the future.
- 1.5 It is the Trustee’s policy to review the SIP at least every three years and as part of any significant change in investment policy. As a minimum, the Trustee will review the SIP every three years. The Trustee will notify the Manager of any material changes to the Scheme’s circumstances. Furthermore, any material changes to the employer covenant or Scheme will trigger a strategy review, at which point the Trustee will notify the Adviser and the Manager.
- 1.6 The SIP has been prepared in accordance with Section 35 of the Pensions Act 1995, as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005.
- 1.7 The SIP will be made available on a publicly accessible website at <https://corporate.dwrcymru.com/en/library/company-statements/dcww-pension-scheme-statement-of-investment-principles>
- 1.8 The Trustee’s investment powers are set out in the Scheme’s trust deed and rules and this SIP is consistent with such powers.

2. INVESTMENT OBJECTIVES AND STRATEGY

- 2.1 The Trustee’s primary objective is to invest the Scheme assets in an effective and efficient way to ensure members’ accrued benefits are paid from the Scheme, and on the basis that the sponsoring employer is able and willing to support the Scheme over the long term. In meeting this objective, the Trustee will consider, among other things, the need to invest Scheme monies in suitably liquid and diversified portfolio of assets.
- 2.2 In determining the investment strategy for the Scheme, the Trustee takes into account the following key considerations:
- The long-term funding obligations;
 - The profile of the Scheme’s liabilities, membership, funding level and strength of employer covenant, including contingent funding support provided by the Principal

Employer, noting particularly that:

- The Scheme is closed to new members and to future service accrual for existing members (noting the “protected persons” in Section 3.2). The Scheme is therefore maturing, with more retired members receiving benefits than employed members;
 - The employer covenant has been independently assessed as tending to strong and is expected to remain tending to strong due to the Company structure and its 25 year license to operate; and
 - The sponsoring employer has declared its support for the investment strategy and has demonstrated its commitment to the Scheme over the long term by agreeing to an RPI Cover Arrangement and a Contingent Funding Agreement to aid in protecting the Scheme from inflation and fund deficits respectively.
- The best interests of the Scheme beneficiaries; and
 - Any considerations which the Trustee believe to be financially material over the appropriate time horizon for funding Scheme benefits.

3. SCHEME DETAILS

- 3.1 The Scheme operates for the sole purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries.
- 3.2 It is a defined benefit pension scheme which is closed to new members. The Scheme is also closed to future accrual with the exception of a very small number of Electricity Act 1989 “protected persons” who continue to be active members.
- 3.3 The Trustee holds AVC assets separately from the main fund in the form of individually earmarked policies with Standard Life Assurance Company (“**Standard Life**”) and Utmost Life and Pensions (“**Utmost**”). For future contributions fund choices are available through the Standard Life and Utmost policies. The Trustee believes that the range of fund options available gives members access to a simple, efficient and diversified strategy and are suitable for meeting the members’ long- and short-term investment objectives. They have taken into account members’ potential circumstances and members’ potential attitudes to risk.
- 3.4 The Scheme’s AVC arrangement provides for benefits to be accrued by active members of the Scheme on a defined contribution basis. In selecting appropriate investments, the Trustee is aware of the need to provide a range of investment options, which broadly satisfy the risk profiles of all members, given that members’ benefits will be directly determined by the value of the underlying investments.

4. GOVERNANCE

- 4.1 The Trustee is responsible for setting the general investment policy and ensuring that it is consistent with the Scheme’s funding objectives and its assessment of the employer covenant. The Trustee is also responsible for:
- setting a policy in relation to financially material considerations, including those relating to ESG considerations;

- setting a policy on the exercise of rights, such as voting rights, and undertaking engagement activities in respect of the investments;
 - ensuring that effective governance arrangements are in place, with such arrangements being appropriately documented and monitored;
 - appointing, reviewing and assessing the performance of investment managers, advisers and consultants;
 - reviewing and assessing the exercise of the investment powers which are delegated to investment managers;
 - communicating with members as required and as appropriate in respect of investment matters;
 - reviewing the content of this SIP from time to time and undertaking updates and modifications as appropriate; and
 - consulting with the Principal Employer of the Scheme in respect of the SIP as required in accordance with section 35 of the Pensions Act 1995.
- 4.2 The Trustee has delegated the review of certain investment matters to the Funding and Investment Sub-Committee. Any decisions and actions taken, however, remain the ultimate responsibility of the Trustee, following appropriate advice from their Adviser.
- 4.3 The Trustee has appointed the Adviser to provide advice on the strategic asset allocation of the Scheme's investment strategy, taking into account the objectives of the Trustee.
- 4.4 The Trustee has appointed the Manager to manage the Scheme's assets in line with the Investment Management Agreement between the Trustee and the Manager (the "IMA"), dated 11 March 2020 and as subsequently amended from time to time.
- 4.5 The Trustee delegates the day-to-day investment decisions and management of the fund to the Manager. In particular, the selection of particular investments, with a view to implementing the strategic asset allocation advised on by the Adviser from time-to-time, is left to the Manager (subject to any restrictions / guidelines contained in the IMA).
- 4.6 The Manager will be responsible for having regard to the need for diversification of investments so far as appropriate and to the suitability of investments, and for giving effect to the principles contained in the SIP as far as reasonably practicable. In this respect, the Manager has full authority and discretion to enter into investments on the Trustee's behalf, without reference to the Trustee, provided that the Manager at all times complies with the restrictions and investment guidelines which are set by the Trustee from time to time.
- 4.7 The Adviser and the Manager will also be responsible for participating with the Trustee in reviews of this SIP in consultation with the Scheme's principal employer.
- 4.8 The Trustee will regularly review the investments over which it has control and obtain written advice from its Adviser and/or Manager regarding the suitability of investments, taking into account the interests of the Scheme beneficiaries, the overall investment of Scheme assets, the principles of this SIP and compliance with relevant legislation and the Scheme's trust deed and

rules. All investment advisers who are consulted will have the knowledge and experience required under the relevant provisions of the Pensions Act 1995.

4.9 Further details of the governance structure and advisers are set out in Appendix A.

5. **DELIVERING THE INVESTMENT STRATEGY**

5.1 The Trustee seeks to achieve the Scheme's investment objective through balancing the investments held against the current and future needs of the Scheme.

5.2 The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is advised by their Manager and/or Adviser on the investment return expected of each asset class, who they deem to be appropriately qualified experts.

5.3 The Trustee has reflected its investment strategy and investment objective in the IMA. The IMA contains restrictions outlining the parameters the Manager must operate within. The IMA is subject to change over time as the strategy evolves.

The Scheme's Initial Asset Allocation is set out in the table below. The Manager has no obligation to rebalance the Total Portfolio other than to meet portfolio cash requirements or as deemed necessary by the Manager. The Client acknowledges the Total Portfolio will drift with market movements and any flows.

Initial Asset Allocation Table

Portfolio Strategy	Initial Asset Allocation*
Growth Strategy	
Liquid Assets	0.0%
Illiquid Assets	26.6%
Matching Strategy	
Liability Driven Investment Portfolio	41.4%
Cashflow Driven Investment Portfolio	32.0%

*As a percentage of Total Portfolio. Indicative of Total Portfolio positioning as at 20th March 2025 incorporating the redemption of Liquid Assets and transfer of market value to LDI Portfolio.

6. RISK MANAGEMENT

6.1 The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("**funding risk**"). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Scheme's funding level and therefore contribute to funding risk. These are as follows:

6.1.1 The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("**mismatching risk**"). The Trustee and its advisers considered this mismatching risk when setting the investment strategy.

6.1.2 The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("**cash flow risk**"). The asset allocation has taken into account the Scheme's liability cashflow profile from the most recent Actuarial Valuation in 2022 and considering historic transfer activity for the Scheme. This should offer sufficient liquidity to meet liquidity needs. The Trustee receives an annual update on cashflow requirements and forecasts from the Scheme Actuary to support the investment strategy, this includes an RPI underpin agreement with the Company. Should liquidity requirements change then the Trustee will notify the Manager and update the IMA accordingly.

6.1.3 The failure by the Adviser and / or Manager to meet the investment objective ("**adviser & manager risk**"). This risk is considered by the Trustee upon the initial appointment of the Adviser / Manager and on an ongoing basis. The Trustee can observe the portfolio performance via any periodic reporting provided by the Adviser and / or Manager.

6.1.4 The failure to spread investment risk ("**risk of lack of diversification**"). The Scheme's Manager is expected to manage a broadly diversified portfolio, and to spread assets across a number of individual securities as appropriate, within the constraints of the IMA. The Trustee monitors the Scheme's investment risk through quarterly investment reports and receives advice from its advisers as necessary.

6.1.5 The possibility of failure of the Scheme's sponsoring employer ("**covenant risk**"). The Trustee considered this risk by taking external advice when setting the Scheme's

investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy. This was particularly relevant in the context of designing the cashflow driven investment strategy and unlevered LDI portfolio. In connection with this, therefore, the Trustee has entered into specific contingent funding agreements with the Principal Employer under which additional payments are made to the Scheme and engagement with the Principal Employer will take place with a view to additional funding being provided to the Scheme if there are material deteriorations in the Scheme's funding level. Outside of external covenant advice, the Trustee receives regular covenant updates from the sponsoring employer as part of the Integrated Risk Management plan.

- 6.1.6 The risk that exposure to overseas currencies has an adverse influence on investment values ("**currency risk**"). The Trustee considered this risk when setting the Scheme's investment strategy. The Trustee receives appropriate investment advice in respect of hedging arrangements, and this is also addressed by the Manager's role in managing the cashflow driven investment portfolio.
- 6.1.7 The risk that environmental, social and governance factors have an adverse effect on the long- term performance of the Scheme assets ("**ESG Risks**"). The Trustee ensures that the Manager explicitly incorporates ESG information into investment decisions when considering the appointment and de-selection of investment managers. The Adviser may also be asked to input into ESG considerations from time-to-time.
- 6.1.8 The risk that a custodian defaults ("**custodian risk**"). Where assets are managed within pooled funds, custody-related risks in relation to underlying pooled fund investments are managed by management companies or operators of such pooled funds. Outside of the pooled fund investments, the Trustee has appointed a Scheme custodian (BNY Mellon) to manage cashflows and settle trades on time.
- 6.1.9 The risk that events outside the control of the Scheme have an adverse influence on investment values ("**event risk**"). The Trustee periodically reviews stress tests on the portfolio to understand the effect that extreme events could have on the Scheme's funding level so that they are able to plan accordingly. In addition, the Scheme invests in a diversified portfolio of assets to help manage volatility.
- 6.1.10 The risk that a counterparty fails to fulfil its side of the agreement it makes in connection with derivative transactions ("**counterparty risk**"). The Trustee has appointed the Manager to mitigate this risk by assessing the credit quality of the counterparties it transacts with, as well as ensuring appropriate counterparty diversification and that collateral payments are made where required.
- 6.1.11 The risk of fraud, poor advice or acts of negligence ("**operational risk**"). The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
- 6.2 The Trustee considers risk holistically across the Scheme's portfolio and hence the Scheme's assets are invested across a diverse range of investments, which includes a cashflow driven investment strategy that will comprise of investment grade bonds, an alternatives strategy that holds a diversified exposure to private market assets, and a liability hedging strategy consisting of conventional and index-linked gilts. Asset classes and instruments that

may be used as part of the investment strategy include, but are not limited to, the following:

- 6.2.1 Cashflow Driven Investment – uses primarily investment grade bonds denominated in Sterling, Euros and US dollars, money market instruments, spot and forward FX contracts, and swaps;
 - 6.2.2 Unlevered Liability Driven Investments (LDI) – uses conventional and index-linked gilts;
 - 6.2.3 Alternatives – these are often less liquid than other “risk” assets where an illiquidity premium is rewarded. These are designed to offer a more diverse return stream to traditional risk assets such as equities. The Manager will seek approval from the Trustee prior to investing in this asset class;
 - 6.2.4 Derivatives – the Manager may transact forwards and futures instruments for efficient portfolio management and to help manage risks. For example, management of currency risk.
- 6.3 The Trustee, with the aid of the Adviser and Manager, monitors risk on both a qualitative and quantitative basis.
- 6.3.1 Examples of quantitative risk monitoring include the quarterly reporting of Long Term Absolute Risk, Value at Risk (VaR), and the impact on portfolio based on historical and hypothetical stress test analysis.
 - 6.3.2 A qualitative risk scorecard, reviewed on a quarterly basis as part of the investment report, assesses risks associated with diversification, currency risk, custodian risk, operational risk.

7. IMPLEMENTATION

7.1 The Scheme assets will be invested in two component strategies:

7.1.1 **A growth strategy** that includes exposure to alternative assets.

7.1.2 **A matching strategy** that is divided into two component strategies:

- A liability hedging portfolio predominantly consisting of conventional and index-linked gilts with the intention of controlling the interest rate and inflation exposure relative to the interest rate and inflation exposure of the agreed cashflow profile and;
- A cashflow driven investment portfolio intended to meet the cashflows of the Scheme as they fall due. It therefore invests in a portfolio of investment grade bonds denominated in sterling, Euros and US dollars. Overseas currency exposure is hedged back to sterling using currency forward contracts.

7.2 Implementing portfolio investments has been delegated to the Manager under the IMA. The Manager has full authority and discretion to manage the Scheme asset allocation in such a way to achieve the Scheme’s investment objective, taking into account the restrictions set out in the IMA, and the restrictions which are set by the Trustee from time to time.

8. RESPONSIBLE INVESTING

8.1 The Trustee recognises that ESG risks could impact the ability of the Scheme to meet its

investment objectives and therefore the Trustee has considered how to evaluate and manage these risks when setting its investment strategy as set out in the following paragraphs (along with other matters).

8.2 The Trustee recognises that financially material considerations in addition to considerations of ESG risks should be taken into account. In this context, the Trustee takes the view that its primary responsibility is to act in the best financial interests of the Scheme's beneficiaries. Accordingly, the Trustee will consider and ensure that the Manager takes into account financially material considerations, alongside ESG risks, which are appropriate for the investment objective and time horizon of the Scheme throughout its investment decision making processes. For these purposes, the Trustee considers the appropriate time horizon to reflect the Scheme's maturing liability profile. The Adviser may also be asked to provide advice on ESG related matters from time-to-time.

8.3 The Trustee will request that:

8.3.1 the Manager, as part of its due diligence, assesses the approach of all the Scheme's investment managers in integrating ESG risks considerations into the selection, retention and realisation of investments, before appointing them;

8.3.2 The Manager, as part of its ongoing monitoring, will review the adherence of the Scheme's investment managers to their ESG principles and, on at least a quarterly basis, will report on key ESG metrics for the Scheme's investment managers and aggregate these to portfolio level where appropriate;

8.3.3 the Manager, as part of its ongoing monitoring, reviews the execution of voting and engagement responsibilities and periodically reports back its findings to the Trustee (for example where the Scheme invests in pooled funds, the Scheme's investment managers are responsible for exercising voting rights and reporting on how they have exercised those rights); and

8.3.4 where UK-domiciled investment managers are not signatories to the FRC's UK Stewardship Code, the Manager shall consider the investment manager's rationale for this position and, where appropriate, report back its findings to the Trustee.

8.4 The Trustee has decided not to take in to account non-financial material considerations in designing or implementing the investment strategy, including (but not limited to) the views of members and beneficiaries of the Scheme.

9. **STEWARDSHIP**

9.1 The Trustee understands that stewardship can enhance value over the long term and recognises that it has a responsibility to act as a good steward and protect and grow the long-term value of the Scheme for the benefit of the Scheme's members.

9.2 In order to be a good steward, the Trustee has set a policy to ensure that the Scheme's respective stakeholders undertake activities in relation to issues that have a material impact on the long-term value of the Scheme's investments.

9.3 The Trustee does not monitor or engage with issuers or other holders of debt or equity. The Trustee expects the Manager to ensure that the stewardship policy is appropriately implemented and monitored as far as is reasonably practicable and considering the long-term

financial interests of the Scheme's beneficiaries, though the Trustee retains ultimate responsibility for the way in which each appointed manager acts as a steward of the Scheme's assets. The policy includes ensuring to the extent possible that the underlying or external managers exercise on the Trustee's behalf rights and duties as an investor. This should include, where appropriate, voting and engaging with underlying investee companies, as part of an effective stewardship approach that meets the Trustee's expectations. The Trustee expects that voting and engagement activities are carried out in the best financial interests of the assets being managed.

- 9.4 The Trustee has delegated monitoring of underlying or external managers to the Manager. As part of this responsibility, the Manager is expected, where appropriate, to:

- 9.4.1 Request voting and/or stewardship policies of the underlying or external managers.
- 9.4.2 Enquire about underlying manager's voting activity with respect to their stated policies, where appropriate.
- 9.4.3 Request that underlying investment managers report on an annual basis a summary of the voting actions which have been taken and any votes cast which differ from the stated voting policy of that manager.
- 9.4.4 Provide a summary to the Trustee of the overall level of voting activity on an annual basis.

Further, the underlying managers are expected to have strong stewardship policies and processes, reflecting (where relevant) the recommendations of the UK Stewardship Code issued by the Financial Reporting Council.

- 9.5 The Trustee will engage with the Manager to understand any reports which have been provided and challenge any outcomes which it feels are not in keeping with policy. The Manager is expected to engage with the underlying or external managers as and when required to facilitate this. Where an underlying or external manager is not adhering to this policy in line with the Trustee's expectations, the Trustee would expect the Manager to consider appropriate actions having regard to the long-term financial wellness of the Scheme.

10. **ARRANGEMENTS WITH MANAGERS**

- 10.1 The Trustee recognises that the arrangements with all of the managers of the Scheme are important to ensure that its interests are aligned as far as is reasonably practicable. This includes arrangements with the Manager and the underlying or external managers. In particular, the Trustee seeks to ensure that the Manager is incentivised to act in a way which generates the best long-term results for the Scheme.
- 10.2 The Trustee agrees to share the SIP with the Adviser and request that the Adviser reviews the SIP and confirms that the investment strategy is aligned with the Trustee's policies.
- 10.3 The Trustee's policy on arrangements with asset managers will take into account the following five considerations:
 - 10.3.1 How the arrangement with the Manager incentivises the Manager to align its investment strategy and investment decisions with the Trustee's investment policies.

- 10.3.2 How that arrangement incentivises the Manager to make decisions based on assessments about the medium to long-term financial and non-financial performance of issuers of debt or equity.
- 10.3.3 How the method and time horizon of the evaluation of the Manager's performance and the remuneration for services are in line with the Trustee's investment policies.
- 10.3.4 How the Trustee monitors "portfolio turnover costs" incurred by the Manager, and how they define and monitor targeted portfolio turnover or turnover range.
- 10.3.5 The duration of the arrangement with the Manager.
- 10.4 The Trustee recognises that there are different ways to engage with its managers including legal documentation as well as more informal arrangements such as ad hoc communication and reporting and monitoring deliverables provided by each manager.
- 10.5 The Trustee recognises that the predominant manager it has arrangements with is the Manager. The arrangement is governed by the IMA between the Trustee and the Manager. The Trustee ensures that appropriate restrictions are outlined in the IMA in order to seek to ensure that the decisions which the Manager makes are in line with the long-term interests of the Scheme. This includes, but is not limited to, setting a clear investment objective, eligible instruments, and which asset classes are in scope for active and/or passive strategies.
- 10.6 The Trustee has also ensured that the IMA (and the supplemental disclosures provided by the Manager) includes conflicts of interest policies in order to seek to ensure that incentives are aligned between the Trustee and the Manager as far as is reasonably practicable.
- 10.7 The Manager provides the Trustee with an annual cost transparency report. The report provides information in line with latest regulatory requirements for fiduciary managers. On a quarterly basis the Manager reports total performance net of fees so that the Trustee is able to take into account the impact of fees and costs when evaluating performance. The Trustee believes that in order to appropriately assess the performance of its managers, the net of costs performance returns should be monitored over various time periods to ensure that managers are evaluated in line with the Trustee's policies.
- 10.8 The Trustee will review the arrangements with the Adviser and / or Manager on a regular basis, however there is no restriction on the duration of any arrangement.
- 10.9 The Trustee expects the Manager to review arrangements with the underlying or external managers which also have no restriction on duration of any arrangement. The Manager is expected to review these arrangements on an ongoing basis and take action to seek to revise any arrangements where it is understood to be in the best long-term interests of the Scheme.
- 10.10 The Manager is required to take into consideration the Trustee's investment objective as well as Responsible Investing and Stewardship policies when selecting and/or appointing new underlying or external managers. The Manager is also expected to monitor the underlying managers or external managers and take into consideration the investments that they are permitted to make in order to seek that they are aligned with the long-term interests of the Scheme.
- 10.11 The Trustee believes that they have a governance framework in place in order to seek to ensure that the Manager's actions are aligned with the five issues listed above. If the Trustee has

reason to believe that the Manager is acting outside of the Trustee's policies, the Trustee will bring this to the attention of the Manager as soon as is reasonably practicable and engage with the Manager so that the parties can understand such actions and seek to resolve any concerns.

10.12 The Trustee recognises that portfolio turnover and associated transaction costs are part of the overall investment management arrangements. The Trustee will require that such costs are incorporated into the investment advice which is given to the Trustee.

10.13 The Trustee assesses performance of the Manager by considering and reviewing performance over both short-term and longer-term periods. The duration of the Manager's appointment will depend on strategic considerations and the expected future performance of the Manager. The Trustee considers that the level of fees paid to the Manager and the potential for the Trustee to terminate the Manager's appointment on notice cause the Manager to be incentivised to provide a service which meets the Scheme's investment objective.

11. REALISATION OF ASSETS

11.1 The Manager has discretion over the timing of the realisation of the investments but shall have specific regard to the investment objective and liquidity requirements of the Scheme (and any guidelines / restrictions outlined in the IMA).

11.2 Assets can be held in pooled funds across a range of liquid and illiquid strategies or as segregated assets in the cashflow matching strategy and LDI portfolio which can be liquidated in accordance with the dealing cycle of the pooled funds or segregated assets that are invested in by the Scheme. Any allocation of Scheme assets to illiquid strategies will be considered with the Scheme's overall cashflow position in mind and requires prior Trustee approval.

12. MONITORING

12.1 The Trustee monitors the performance and risk exposures of the portfolio on a regular basis. The Trustee receives quarterly investment reports which includes all of the following metrics:

12.1.1 Commentary over the period covering performance, macroeconomic factors and portfolio positioning;

12.1.2 Risk decomposition across the portfolio, including scenario stress tests;

12.1.3 Return attribution across the portfolio, including underlying pooled fund monitoring;

12.1.4 Estimated funding ratio change, including a summary of contributors/detractors

12.1.5 Review of the funding level including any de-risking triggers;

12.1.6 Asset allocation summary versus the permitted ranges; and

12.1.7 Interest rate and inflation hedge ratios versus target.

12.2 The Adviser may be asked to provide periodic reporting to the Trustee from time-to-time to compliment existing reporting.

12.3 Monitoring of the underlying investment managers' suitability is delegated to the Manager. The Manager has been delegated the responsibility for ensuring the underlying pooled fund investments are satisfactory and appropriate for the investment strategy.

Agreed by Welsh Water Pension Trustee Limited, as sole trustee of the DCWW Pension Scheme on 11 August 2025

Appendix A – Governance and current advisers

The Trustee has established the following decision-making structure:

Trustee

- Set structures and processes for carrying out their role
- Determine overall investment strategy
- Appoint Funding and Investment Sub Committee (“FISC”)

Role of the FISC

- Report to the Trustee Board on funding, actuarial and investment matters
- Supervise the activities of the investment managers and monitor their performance and risk against agreed benchmarks
- Report to the Trustee Board on the performance benchmarks and investment guidelines to be set for the investment managers and the custodian
- Report to the Trustee Board on the Scheme’s membership and liability profiles, and its cash flow requirements
- Monitor and assess the cash flow driven investment strategy, including contingent funding arrangements with the Principal Employer and reviewing cash flow projections provided by the Scheme Actuary

Barnett Waddingham (Adviser)

- Provide advice on the strategic asset allocation of the Scheme’s investment strategy, taking into account the objectives of the Scheme
- Provide oversight of the Scheme’s Manager

Manager (the Manager)

- Monitor planned asset allocation
- Select and monitor fixed income securities as part of cashflow matching strategy and LDI portfolio
- Make ongoing decisions relevant to the operational principles of the Scheme’s investment strategy
- Monitor the Scheme’s investment strategy
- Monitor direct investments
- Make day-to-day decisions relevant to operation of Scheme's investment strategy
- Provides required training for Trustee and Funding and Investment Committee

The Scheme’s current advisers are given below:

Scheme Actuary	Joanne Eynon, Quantum Advisory
Manager (the Manager)	BlackRock
Adviser	Barnett Waddingham
Administrator	Quantum Advisory
Solicitors	Eversheds Sutherland (International) LLP
Auditors	PricewaterhouseCoopers