Statement of Investment Principles

PwC Pension Fund

Introduction

This document contains a statement of the principles governing the investment decisions of the Trustee of the PwC Pension Fund (the "Fund"). This has been prepared by the Trustee in accordance with the requirements under the Pensions Act 1995, as amended by the Pensions Act 2004 (the "Act").

Before preparing this Statement of Investment Principles ('SIP'), the Trustee has had regard to the requirements of the Act and the relevant regulations (the Occupational Pension Schemes (Investment) Regulations 2005) as amended from time to time. The Trustee will refer to this SIP where necessary to ensure that it exercises its powers of investment so as to give effect to the principles set out in it as far as is reasonable.

Before finalising this SIP, the Trustee has:

a) obtained and considered written advice from the Fund's Investment Consultants; and

b) consulted with PricewaterhouseCoopers LLP (the 'Employer').

The Trustee will consult the Employer before revising this document. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

In accordance with the requirements of the Act, the Trustee will review this SIP at least every three years and without delay after any significant change in investment strategy.

Governance

To ensure sufficient focus on investment matters, the Trustee delegates certain investment decisions to a Joint Investment Committee ("JIC") which is comprised of Trustee-Directors of both the Fund and the DH&S Retirement and Death Benefits Plan (collectively referred to as "the Schemes").

The decisions for which the JIC is responsible are set out in the Fund's Governance Framework, updated from time to time. Where this SIP refers to Trustee decisions this can also be taken to mean the JIC where the JIC is empowered to make decisions under the Fund's Governance Framework.

The Trustee has, after consideration, agreed to comply with the Employer's Independence policy. This requires the Trustee to have regard to the regulations governing the independence of the Firm to act as auditor. The independence requirements are notified to the Trustee by the Employer from time to time.

The Scheme is a Registered Pension Scheme for the purposes of the Finance Act 2004.

The Trustee recognises there are a number of risks involved in investing the assets of the Fund. These include (but are not limited to) deficit risk, manager risk, liquidity risk, currency risk, interest rate and inflation risk, political risk, sponsor risk and counterparty risk. The Trustee monitors and manages these risks through measures specific to each risk.

Investment objectives

- The principal objective of the Trustee is to ensure that there are sufficient assets available to pay members' and dependants' benefits as and when they fall due. The Trustee wishes to protect members' accrued benefits, whilst maintaining a reasonable prospect of reaching the funding objectives set out below.

- The investment strategy of the Fund is managed and monitored using an Integrated Pensions Risk Management Framework (IPRMF) which outlines the funding objectives and risk constraints set by the Trustee. The IPRMF is reviewed and monitored by the Trustee on at least a quarterly basis.

- The Trustee's primary funding objective for the Fund is to reach full funding by 31 March 2026 using a liability discount rate of Gilts + 60 basis points ("stable funding objective"). In addition, the Trustee also monitors the Fund's progress against a more prudent long-term funding objective.

The Trustee will consult the Firm on making any significant changes to investment strategy.

Investment principles

The Trustee, having consulted with the Fund's Investment Consultant, has adopted the following investment principles:

- All investment strategy starts with clear goals, objectives and constraints, including a defined and agreed risk budget.

- The success of an investment strategy is judged by meeting the Fund's objectives, not in predicting the direction of the market.

- Investment strategy only works if it is implemented; a strategy can only be optimal if it can be executed.

- Investment strategy should be as simple as possible but as complex as necessary to meet the Fund's objectives.

- If the Trustee does not understand a particular investment or strategy, it should not invest in it.

- Risk management needs to be put in place in the good times to have the most effect in the bad times.

- Manager selection should not drive investment strategy, rather, managers should be chosen to fulfil the strategic asset allocation.

- Risk management and asset allocation are not an exact science; both qualitative and quantitative judgement are required.

- Requirements arising from Independence constraints represent a limitation within which the Trustee must operate. This may mean that certain investment opportunities cannot be accessed.

- Requirements arising from Independence constraints create an additional hurdle by reducing the available manager universe therefore decreasing the likelihood of accessing skilled managers in certain asset classes (particularly active strategies).

- Environmental, social and corporate governance ("ESG") and good stewardship issues should be integrated into investment management processes and taken into account where financially material.

- The Trustee policy is not to take account of any non-financial factors.

Investment Priorities Statement

When setting the investment strategy, the key investment priorities are as follows:

- Cash flow matching with a focus on contractual returns to the extent such a strategy can support the Fund's targeted return.

- Diversification and maximising risk/return efficiency.
- Maintaining liquidity and flexibility in the investment strategy.

Investment strategy

The Trustee is responsible for setting the investment strategy for the Fund after taking advice from its Investment Consultant(s) and in accordance with the investment principles and investment priorities.

In determining the kinds of investments to be held and the balance between different kinds of investments at any point in time, the Trustee aims to:

- Target an expected return on assets (as estimated and advised by its Investment Consultant(s)) close to that required within the IPRMF;
- Manage the investment risk including that arising due to mismatch between assets and liabilities and limit the total risk to the Fund to below the budget set in the IPRMF;
- Maintain suitable liquidity of assets such that the Fund is not forced to buy and sell investments at particular times to pay member benefits or meet potential collateral calls.
- Set triggers to identify when the Fund is sufficiently ahead of its expected position and an agreed process to consider increasing the allocation to cashflow matching assets with a focus on contractual returns.
- The Fund holds investments as permitted by its Trust Deed and Rules. The Employer's Independence restrictions constrain the Fund's choice of asset class, manager and counter- party.

Investment managers

The Trustee delegates the day-to-day management of the assets to a number of Investment Managers.

Investment Managers are carefully selected to manage each of the underlying mandates following guidance and written advice from the Investment Consultant(s). As required under Section 36 of the Act, the Fund's Investment Consultants will provide written advice on new manager appointments in respect of the 'satisfactory' nature of the investments. On an annual basis, this advice will be reconfirmed for all of the Fund's Investment Managers.

Depending on the nature of the investments, the Fund's assets are invested either via pooled or segregated investment vehicles. For segregated arrangements, the terms of the long-term relationship between the Trustee and its Investment Managers are set out in separate Investment Management Agreements (IMAs). These document the Trustee's expectations of their managers, alongside the investment guidelines they are required to operate under.

The investment guidelines are based on the policies set out in this document (the SIP). The SIP is shared with the relevant Investment Managers following any relevant changes to this document, and the investment guidelines are updated (as required) following any changes, ensuring the managers always invest in line with the Trustee's policies.

For pooled arrangements, the Fund's investments are managed according to standardised fund terms, which are reviewed by the Fund's legal and Investment Consultants at the point of

investment to ensure that they are aligned with the Fund's long-term investment strategy and market best practice. These terms are reviewed at the point of investment and following any material changes notified by the manager.

The Trustee assesses the managers' performance regularly against a benchmark appropriate to each manager, taking into account the level of risk taken by each manager.

When relevant, the Trustee requires its Investment Managers to invest with a medium-to long-term time horizon, and use any rights associated with the investment to drive better long-term financial outcomes (including on ESG or stewardship matters). For some asset classes, the Trustee does not expect the respective asset managers to make decisions based on maximising long-term financial performance. These may include investments that provide risk reduction through diversification or through hedging, consistent with the Trustee's strategic asset allocation.

The Trustee appoints its Investment Managers with an expectation of a long-term partnership, which encourages active ownership of the Fund's assets. When assessing a manager's performance, the focus is on longer-term outcomes and is assessed over a medium to longer-term timeframe, generally subject to a minimum of three years. Where practical, the Trustees will consider manager performance net of manager costs (including transaction costs).

As the Trustee is a long-term investor, its arrangements with Investment Managers have no set duration, but have appropriate termination rights built in. The Trustee would not expect to terminate a manager's appointment based purely on short-term performance. However, a manager's appointment could be terminated within a shorter timeframe than three years due to other factors such as a significant change in business structure or the investment team. This is done after due consideration and the receipt of appropriate advice from its Investment Consultant. To assist the Trustee in assessing performance the Investment Consultant(s) will provide relevant reporting on a quarterly basis. As part of this process, the Trustee has delegated the detailed monitoring of the Fund's investment managers to its Investment Consultant(s).

Investment Managers are paid an ad valorem fee for a defined set of services. These are paid directly via invoice, or they may be included in the pricing of units in which the Fund invests. The Trustee reviews the fees annually to confirm they are in line with market practices, notably when the Trustee expects the manager to take an active ownership approach and consider long-term ESG factors.

The Trustee reviews the portfolio transaction costs and managers' portfolio turnover ranges, where the data is disclosed and available. The Trustee will then determine whether the costs incurred were within reasonable expectations. The Trustee will monitor industry developments to identify and, if appropriate, implement ways to improve how transaction cost data is assessed.

Stewardship and Responsible Investment

The Trustee believes that good stewardship practices, including engagement and voting activities, and responsible investment are an important part of general Fund governance as they help preserve and enhance asset owner value over the long term. In particular, the Trustee has considered how ESG factors should be integrated into the Fund's investment management processes. The Trustee has considered the guidance provided by the Law Commission which states that trustees should take account of risks to a company's long-term sustainability, such as ESG factors, if they are, or may be, financially material.

In light of this, the Trustee's policy on ESG is that the investment managers should integrate ESG considerations (including but not limited to climate change) into their investment processes and implementation decisions to assess the potential impact on financial performance and in deciding on the selection, retention and realisation of investments.

The Trustee's Investment Consultant incorporates ESG considerations into their manager research process, which informs advice provided to the Trustee on selecting, reviewing and changing individual managers.

Specifically, this includes:

- Appointment: Each time a manager is selected or reviewed, ESG integration is one of the key selection factors considered by the Trustee.

- Annual survey: managers are surveyed annually to ensure any changes to the ESG integration process are captured (e.g. data sources, reporting lines, etc).

- PRI reporting: PRI Assessment scores are requested on an annual basis for all mandates in which the Fund is invested. Strategy & Governance scores are included in quarterly manager monitoring reports provided to the Trustee.

The Trustee has a policy of not taking into account “non-financial matters” when considering the selection, retention and realisation of assets.

The Trustee understands good stewardship to be the responsible allocation, management, and oversight of capital to enhance the security of member benefits via improved long-term performance of its assets, leading to sustainable benefits for the economy, the environment and society. The Trustee will aim to use its influence as an asset owner to ensure best practices are reflected in terms of ESG factors, and will hold the Fund’s investment managers to account for the effective use of their influence as owners of assets.

Resourcing stewardship

The Trustee’s approach to stewardship reflects its broad investment approach: its role is to hire investment managers and to hold them to account for delivery, rather than to invest directly. In a similar way, the Trustee carries out stewardship through oversight and challenge the Fund’s investment managers rather than operating as active stewards directly of the underlying assets in which it invests.

The Trustee hires appropriately skilled investment managers, sets clear expectations, assesses the quality of their performance, and holds them to account where deficiencies or areas for further improvement are identified.

Focus on key themes

To best channel its stewardship efforts, the Trustee believes that it should focus on key themes. Initially, climate change has been selected as the key focus area. This is because it is likely to be a financially material risk relevant to the Fund and its members. In addition, the maturity and development of industry thinking around climate change allows for ease of integration into the Trustee’s stewardship approach.

The Trustee may choose to focus on other themes in the future, recognising that there are other sustainability-related challenges facing global societies and the natural environment which will have financial implications for the Fund.

Significance of stewardship in appointment and monitoring of investment managers

The Trustee has ultimate responsibility for the oversight of the Fund’s investment managers' engagement activity, but delegates responsibility to lead engagement with the managers to its investment advisor. The advisor is expected to provide updates to the Trustee on the performance of the Fund’s investment managers against expectations. The Trustee will not appoint new investment managers that cannot demonstrate the standards to which existing investment managers are held. These expectations can be summarised as:

- Effective processes for and delivery of stewardship activity, alignment with leading standards, and evidence of positive engagement outcomes related to our key themes.

- Provision of tailored reporting on stewardship activities and outcomes.

- Participation as appropriate in public policy debates and the development of best practices.

The Trustee expects the investment managers to provide specific evidence they have acted in accordance with these expectations. This should provide enough insight to ascertain whether the investment managers are practising effective stewardship that is best aligned with the Fund’s long-term interests. Where deficiencies are identified the Trustee will escalate accordingly, with the ultimate response being the removal of mandates where it is deemed to be in the interests of the Fund and its members to do so. The Trustee views incremental improvements in the stewardship activities of its investment managers as the key success measure of its own stewardship activities.

Engagement: expectations and process

The Trustee expects investment managers to engage with issuers on relevant matters to maintain or enhance the long-term value of the Fund's investments and limit negative externalities on the planet and society. This includes performance, strategy, risks, capital structure, conflicts of interest, and ESG considerations.

The Trustee recognises that there is no 'one-size-fits-all' stewardship approach. Instead, the managers are encouraged to prioritise stewardship opportunities and apply the most suitable/influential engagement strategies. This can be based on their in-depth knowledge of a given asset class, sector, geography and/or specific company or other asset.

Investment managers are expected to have robust ESG, climate change, and stewardship policies and processes in place. These are used to define how underlying companies are monitored and engaged with, how progress is measured, and when escalation is required. The Trustee expects manager engagement with companies to be underpinned by engagement on public policy matters where relevant. The investment managers are expected to track these assessments and progress in stewardship over time, to maintain continuity of activity, and to assess the effectiveness of stewardship delivery. The Trustee will challenge its investment managers when their engagements are deemed to be of deficient quality.

In order to drive corporate change, and where initial engagement has made little progress, the Trustee expects its investment managers to escalate engagement accordingly. The managers are given discretion over the appropriate tools to deploy and are expected to communicate with issuers' management teams. Should there still be little progress made after escalation, the managers are expected to consider disinvestment as a final course of action.

Voting: expectations and process

The Trustee expects its managers to use as appropriate all the tools arising from their investments, including the rights and responsibilities associated with the instruments or other assets in which they invest.

Whereas voting responsibilities are outsourced to the investment managers, the Trustee recognises that it has a fiduciary and regulatory responsibility to retain agency in the process. Investment manager oversight is the key mechanism for this and, working with the Fund's investment advisor, the Trustee therefore holds its managers accountable not only for voting activity as a whole, but also how they have voted in significant votes. It is the Trustee's responsibility to define the significance of votes placed on its behalf, and to be transparent with stakeholders and beneficiaries regarding outcomes.

Significant votes have been defined as votes which meet one or more of the following criteria:

- Votes relating to our key stewardship themes.
- Votes relating to an issuer to which the Fund has a large £ exposure.
- Votes identified due to potential controversy, driven by the size and public significance of a company, the nature of the resolution, and the weight of shareholder vote against management recommendation.

Custodian

The Trustee may make use of a global custodian to safeguard the Fund's non pooled fund assets.

Investment Consultants

The Trustee of the Fund has selected appropriate investment consultancy firm(s) as advisor(s) to the Trustee and the JIC. The appointment(s) are reviewed by the Trustee formally on at least a triennial basis.

Additional Voluntary Contributions (AVCs)

The Trustee provides a range of investment options for members within the AVC arrangements. 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.

Approved by the Trustee of the Fund on 28 September 2023