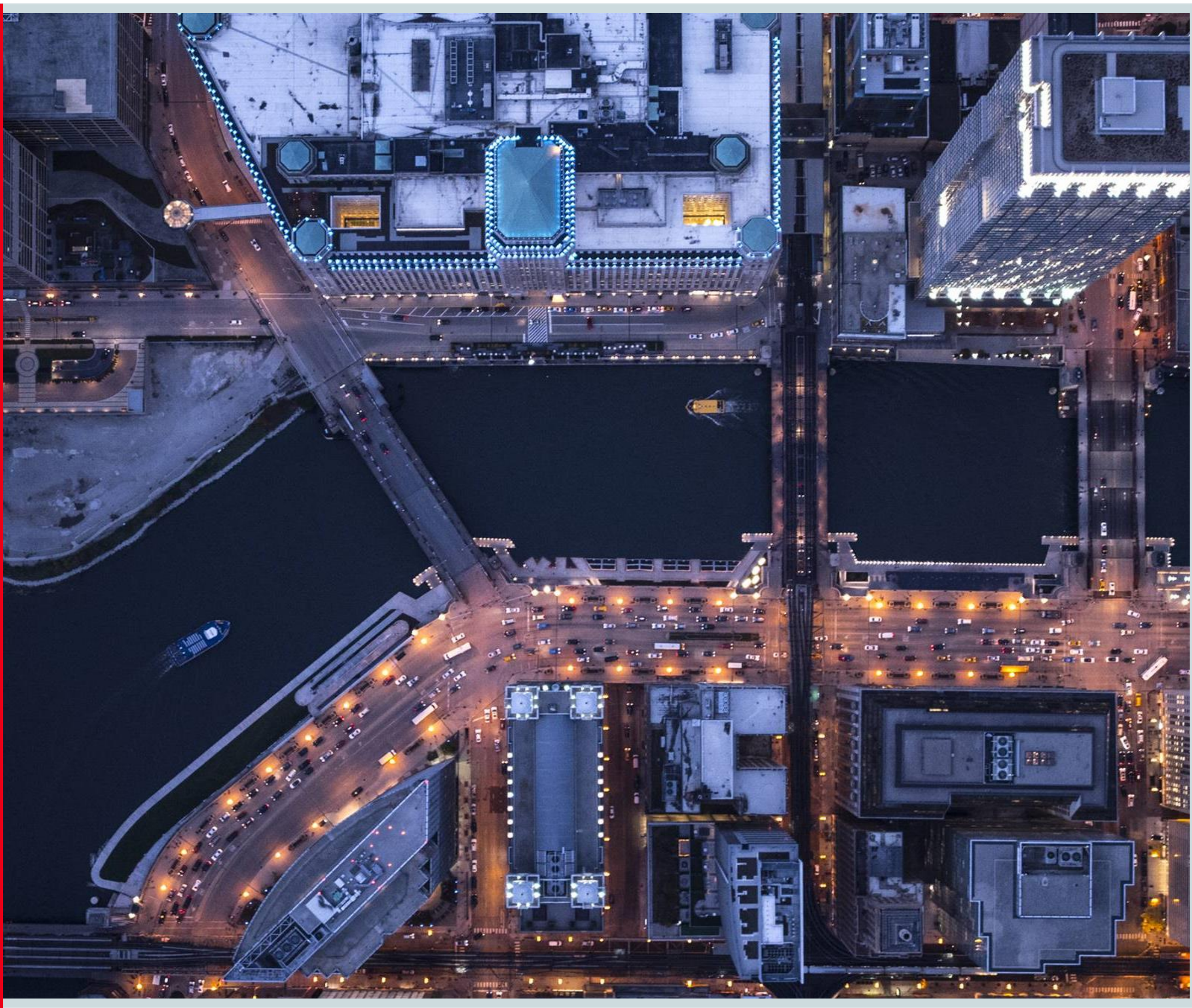
Statement of Investment Principles

Aon Retirement Plan

Defined Benefit Sections

Prepared for: Aon Retirement Plan DB Sections
Prepared by: Aon UK Trustees Limited

30 September 2024



Introduction

This Statement of Investment Principles has been produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK and other required disclosures.

The Statement sets out the principles governing decisions made about the investment of the assets of the Plan in relation to the Defined Benefit (DB) arrangements. The Statement of Investment Principles for the Defined Contribution and AVC arrangements is a separate document.

Review of this Statement

The Trustee will review this Statement at least every three years and without undue delay after any significant change in investment policy. The Trustee takes advice from a suitably qualified person in preparing and updating this Statement and consults with the sponsoring employers.

Trustee compliance

The Trustee complies with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

Overall Investment Objective

The Trustee aims to invest the assets of the Plan prudently to ensure that the benefits promised to members are provided.

Strategy

The Trustee's ultimate strategy for achieving the Overall Investment Objective is to secure members' benefits through annuity policies with insurance companies. The Trustee has selected an asset allocation strategy for each DB Section of the Plan which is designed to build up sufficient assets to achieve this during the period 2025 to 2029.

The asset allocation strategies currently include an allocation to matching assets (including government securities and synthetic credit) and some residual alternative assets as well as annuity policies.

As each Section's funding level has improved the Trustee's strategy has been to reduce risk further by reducing the allocation to riskier assets (like equities) and increasing the allocation to lower risk assets (like bonds and government securities) in order to reduce the likelihood of the position subsequently deteriorating.

Choice of each DB Plan Section's asset allocation

When choosing each Section's planned asset allocation strategy and investment return objective the Trustee considered advice from their investment adviser and, in doing so, addressed the following:

- The Overall Investment Objective and the strategy for achieving this;
- The need to consider a full range of asset classes appropriate for meeting the Objective and the suitability of each asset class for this purpose;
- The risks and rewards of a range of alternative asset allocation strategies (including risks related to environmental, social and governance risks and climate change) and the need for appropriate diversification.

A summary of the current investment strategies and the appointed asset managers for each DB Plan Section is contained in the Appendix to this Statement and details are also included in the Trustee's Annual Report.

Governance

The Trustee takes some decisions itself and delegates others. When deciding which decisions to take and which to delegate, the Trustee takes into account whether it has had appropriate training and expert advice in order to take an informed decision.

Trustee decision making structure

The Trustee has established the following decision-making structure:

Trustee

- Set structures, terms of reference and processes for carrying out their role
- Approve the content of this Statement including the setting of the Overall Investment Objective and strategy
- Consider and approve other recommendations from the Funding & Investment Committee.

Outsourced Chief Investment Officer (OCIO)

- Manage the portfolio in line with the Investment Objective set by the Trustee
- Execution of Trustee-directed investments and disposals
- Monitor and manage the Plan's liquidity and cashflow, including meeting capital calls, instructing cash transfers and making disinvestments to meet cashflow requirements.

Funding & Investment Committee

Make recommendations to the Trustee on:

- The preparation and content of this Statement including the setting of the Overall Investment Objective, strategy and high level hedging parameters and approach
- The review, selection and monitoring of investment advisers, asset managers, custodians and annuity providers
- The Plan's Social, Environmental and Ethical investment policy.

Making decisions on:

- The selection and monitoring of the planned asset allocation strategy
- Determination of the structure for implementing investment strategy
- Monitoring of actual returns versus investment objectives
- Selection and monitoring of direct investments
- Ongoing issues relevant to the operational principles of the Plan's investment strategy.

Investment Adviser	Asset Managers
▪ Advise on all aspects of the investment of the Plan's assets, including implementation ▪ Advise on this Statement ▪ Provide required training.	▪ Operate within the terms of this Statement and their written contracts ▪ Select individual investments with regard to their suitability and diversification ▪ Advise the Funding & Investment Committee on the suitability of the indices in their benchmark.

Investment Advisor

The investment adviser operates under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions itself and to monitor those it delegates. The adviser is paid on a time cost basis for all the work they undertake for the Plan within an agreed annual budget and fixed fees may be negotiated by the Trustee for certain projects. This structure has been chosen to ensure that cost-effective, independent advice is received.

Outsourced Chief Investment Officer

Aon Investments Limited operates as OCIO under an Investment Management Agreement to alleviate some of the governance burden of the Trustee. The Trustee retains the responsibility of material decisions such as the investment objective, strategy and overall asset allocation. The OCIO is paid a fee as a percentage of the uninsured assets under management of the Aon UK Limited Section.

Delegation to asset managers

The Trustee has delegated all day-to-day decisions about the underlying investments that fall within each investment mandate, including the realisation of investments, to the relevant asset manager through a written contract.

When choosing investments, the Trustee and the asset managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The asset managers' duties also include:

- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Voting and corporate governance in relation to the Plan's assets including taking into account the Institutional Shareholders' Committee Statement of Principles on the Responsibilities of Institutional Shareholders and Agents.

Further detail on the arrangements with asset managers is set out later in this Statement.

Direct investments

The Pensions Act 1995 distinguishes between investments where the management is delegated to an asset manager with a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or AVC contract. The latter are known as direct investments.

Review of direct investments

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. The written advice will consider the suitability of the investments, the need for diversification, the principles contained in this Statement and the criteria by which such investments should be assessed as set out in the Occupational Pensions Schemes (Investment) Regulations 2005 (regulation 4).

Risk

The Trustee recognises that the Plan has a funding surplus and the key risk to the Plan is that this surplus deteriorates to such an extent that the Plan has insufficient assets to provide the benefits promised to members ("funding risk"). The Trustee has identified a number of risks which have the potential to cause deterioration in the Plan's funding level or adversely impact on its strategy to meet the Overall Investment Objective. These risks are:

Mismatching & Currency

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

Cashflow, Collateral & Illiquidity

The risk of a shortfall of liquid assets relative to the Plan's immediate liabilities, including paying DC contributions, and potential collateral calls ("cash flow risk"). The Trustee has delegated authority to Aon Investments Limited (AIL) under the OCIO appointment to monitor and manage the Plan's liquidity and cash flows taking into account the timing and magnitude of future expected payments in order to minimise the probability that this occurs.

The Trustee considers the extent to which each Section holds illiquid assets and the likely run-off of these allocations so as to be able to provide funds to pay insurance premiums to secure members' benefits in due course.

As part of the agreement for the use of liquid, uninsured surplus for the DC contributions for the Aon UK Limited Section, a solvency funding level of 103% has been agreed as the trigger point for contributions from the Plan's sponsoring employer restarting. If the funding level subsequently improves above 105%, access to the surplus will be reinstated.

Asset Manager

The failure by the asset managers to achieve the rate of investment return assumed by the Trustee ("manager risk"). This risk is considered by the Trustee and its advisers both upon the initial appointment of the asset managers and on an ongoing basis thereafter.

Lack of diversification

The failure to spread investment risk (“risk of lack of diversification”). As the Plan’s funding level has improved, the Plan has embarked on a de-risking strategy, which simplifies the portfolio by disinvesting from growth assets and adding to the Plan’s existing lower risk matching assets. The Trustee and its advisers appreciate that diversification across asset classes will fall as the Plan matures, which is a consequence of setting the Plan’s de-risking investment strategy.

Covenant

The possibility of failure of the Plan’s sponsoring employers (“covenant risk”). The Trustee and its advisers consider this risk when setting investment strategy and consult with the sponsoring employers as to the suitability of the proposed strategy. In addition, the Trustee has requested that the sponsoring employers provide periodic briefings to the Trustee on their current and expected future financial status as well as that of Aon plc.

With regards to the payment of DC contributions, if the covenant strength of the Principal Employer weakens, as assessed by the Trustee’s covenant advisers, then the Trustee in their absolute discretion will consider whether to require the Employing Companies to start paying DC reimbursement contributions regardless of the Estimated Solvency Funding Level.

Operational

The risk of fraud, poor advice or acts of negligence (“operational risk”). The Trustee has sought to minimise this 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.

Credit default

The risk that one of the Plan's underlying investments will not meet its financial obligations ("credit risk", "default risk"). The Trustee and its advisers consider this when setting the investment strategy. The Trustee has sought to minimise such risk by ensuring that the assets are diversified across high quality portfolios and monitored by the asset managers.

ESG and Climate

The risk that environmental, social and governance ("ESG") factors (including climate change) negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from its investment advisors when setting the Plan's strategy, selecting managers and monitoring performance. Further detail is provided later in this Statement.

Complexity of risks

Due to the complex and interrelated nature of these risks, the Trustee considers many of these risks in a qualitative rather than quantitative manner. These reviews are conducted on a regular basis.

Monitoring & reporting

The Trustee's policy is to monitor, where possible, the above risks on a regular basis.

At least quarterly the Trustee receives reports showing:

- Funding levels versus the Plan's Section specific funding objectives and targets.
- Investment performance versus the Plan's Section-specific investment objectives.
- A summary of existing collateral holdings and analysis of liquid and illiquid investments.
- The performance of individual liquid asset managers versus their respective objectives (and the performance of illiquid asset managers on an annual basis).
- Any significant issues with the asset managers that may impact their ability to meet the performance targets set by the Trustee.

Arrangements with Asset Managers

The Trustee, together with its advisers, regularly (typically quarterly) monitors the Plan's investments to consider the extent to which the investment strategy and decisions of its asset managers are aligned with the Trustee's policies, including those on non-financial matters. This includes monitoring the extent to which asset managers:

- Make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- Engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by its investment adviser (with input from AIL as OCIO) and receives regular reports and verbal updates on various items, including on the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan's objectives and typically assesses its asset managers over 3- to 5-year periods depending on the nature of the mandate in question.

Before appointing a new asset manager, the Trustee reviews the governing documentation associated with the investment and considers the extent to which it aligns with the Trustee's policies. Where appropriate and possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, the Trustee will express its expectations to the asset manager by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

The Trustee believes that having appropriate governing documentation; setting clear expectations to the asset managers by other means (where necessary) and regular monitoring of its asset managers' performance and investment strategy is sufficient to incentivise the asset managers to make decisions that align with the Trustee's policies.

Where an asset manager is considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically engage with the asset manager to understand the circumstances and materiality of the decisions made.

There is no set duration for the existing arrangements with the Trustee's appointed asset managers although the continued appointments are reviewed periodically. For certain closed-ended vehicles, the duration may be defined by the nature of the underlying investments.

Cost and Transparency

The Trustee expects its asset managers to offer full cost transparency via industry standard templates. This will be reviewed before the appointment by the Trustee of any new managers and includes the existing asset managers employed by the Plan.

The Trustee assesses the performance of the asset managers on a net of all costs basis and recognises that this provides an incentive to the manager to control costs. However, the Trustee also believes that explicit, regular monitoring of the level and the trends of costs incurred will enhance those incentives.

Transactions and turnover within an asset manager's portfolio are monitored by the Plan's investment adviser on behalf of the Trustee with any concerns brought to the Trustee's attention. The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class.

The Trustee reviews the remuneration of the Plan's asset managers on at least a triennial basis to ensure that these costs are reasonable in the context of the nature and balance of investments held.

Responsible Investment and Stewardship

The Trustee recognises that effective stewardship of the Plan's assets is an important component of its fiduciary duty to the members and beneficiaries of the Plan. Within its investment decision making processes the Trustee seeks to incorporate all financially material environmental, social and governance (ESG) factors and risks (including climate change) into investment decisions and recognises the potential for these to negatively impact the value of the investments held if not understood and evaluated properly.

Stewardship – Voting and Engagement

The Trustee, together with its advisers, monitors its asset managers to ensure that their activities are aligned with the Trustee's requirements and policies as set out in this Statement. In particular, the Trustee reviews its asset managers' approaches to stewardship and other ESG-related matters on an annual basis and has communicated its expectations and standards to its asset managers. These standards include an expectation that the Plan's asset managers:

- Use their influence as major institutional investors to exercise the Plan's rights and duties as a shareholder.
- Engage with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.
- Consider collaboration with other investors, as permitted by relevant legal and regulatory codes, where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed.
- Provide adequate transparency to the Trustee around their stewardship activities.

The Trustee delegates all stewardship activities, including voting and engagement, to its appointed investment managers. The Trustee accepts responsibility for how the investment managers steward assets on its behalf, including the casting of votes in line with each manager's individual voting policies.

On an annual basis, the Trustee expects its asset managers to provide:

- A summary of voting activities over the year, setting out in particular where votes were cast against management, votes against management were significant, votes were abstained or where voting differed from the voting policy of the asset manager.
- A summary of engagement activities over the year, including the objectives and method of the engagement, progress and perspectives around shortcomings and outcomes and procedures for managing unsuccessful engagements.

The Trustee believes that it has a duty as an institutional investor to invest in a responsible manner. Where appropriate the Trustee will query its asset managers on the rationale for holding positions in companies which contribute significant negative externalities to society if that action is deemed to be financially material. The Trustee also considers the methods by which, and the circumstances under which, it would monitor and directly engage with an issuer of debt or equity, an asset manager or other stakeholders. The Trustee may engage on a number of matters including performance, strategy, risk, social and environmental impact, corporate governance and the management of actual or potential conflicts of interest.

If the Trustee's monitoring reveals that an investment manager's voting or engagement policies, or its stewardship actions are not aligned with the Trustee's expectations, the Trustee will engage with the manager, via different medium such as emails and meetings, to seek a more sustainable position.

Insurance Companies

While the Trustee may purchase annuity policies for risk protection from an insurance company with no expectation of a future surrender, the Trustee believes that evidence of ESG credentials is a positive and important factor to consider in selecting an insurer. As such, the Trustee incorporates annuity providers' ESG credentials in its review of annuity products. As part of its review, the Trustee considers factors such as:

- Whether the insurer is signed up to the UN Environmental Programme for Sustainable Insurance.
- Whether the insurer is a signatory to the Principles for Responsible Investments (PRI).
- Whether the insurer's primary asset manager for annuities is signed up to the PRI.
- The investment advisor's overall assessment of the primary asset manager and insurer's ESG credentials

Members' Views and Non-Financial Factors

In setting and implementing the Plan's investment strategy the Trustee does not explicitly take into account the specific views of individual Plan members and beneficiaries in relation to factors such as ethical considerations, social and environmental impact or future quality of life matters (defined as "non-financial factors" - The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018).

Effective date of statement: 30 September 2024.

Agreed and approved by the Trustee of the Aon Retirement Plan.

Appendix: Schedule of Investment Arrangements

Aon UK Limited Section

Set out below is a summary of the mandates given to the asset managers within each asset class. The Section also has pensioner annuity policies which are not included in the table below. Please note this Section was previously split between Aon UK, A&A and Aon Bain Hogg. The combined Section, known as the Aon UK Limited Section, was formed on 30 September 2024.

Asset Class	Manager	Objective
Infrastructure Fund (Illiquids)	KKR	Gross IRR of 10-15%
Delegated Growth Fund (AIL)	Aon Investments Limited	N/A (removed to allow de-risking)
Property Debt (Illiquids)	Goldman Sachs - Broad Street Real Estate Capital Partners II & III	Net IRR of 10-12%
Private Equity (Illiquids)	Pantheon Global Secondaries Fund IV	IRR of 15-20%
Private Credit (Illiquids)	PIMCO BRAVO Fund III	IRR of 14-16%
Matching assets (LDI & CDS)	Insight and LGIM	To hedge the target level of interest rate, inflation and credit protection

Hewitt Pension Fund Section (HPF)

AIL has been appointed as fiduciary manager for the HPF Section. The assets managed are shown in the table below. The Section also has pensioner annuity policies which are not included in the table below:

Asset Class	Manager	Objective
Matching assets (LDI & CDS)	Aon Investments Limited	To hedge the target level of interest rate, inflation and credit protection
Illiquids	Aon Investments Limited	N/A (removed to allow de-risking)

Hewitt Associates Pension and Life Assurance Plan (HAPLAP)

The assets managed are shown in the table below:

Asset Class	Manager	Objective
Matching	Aon Managed Pre-Retirement Bond Fund	Broadly match the duration and fixed/real split of the liabilities
Matching	Aon Managed Long Term Inflation Linked Fund	

Aon plc (NYSE: AON) exists to shape decisions for the better — to protect and enrich the lives of people around the world. Through actionable analytic insight, globally integrated Risk Capital and Human Capital expertise, and locally relevant solutions, our colleagues provide clients in over 120 countries with the clarity and confidence to make better risk and people decisions that help protect and grow their businesses.

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