Dow Services UK Pension Plan
The Chair's Annual Governance Statement to 31 December 2023

Introduction

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ('the Administration Regulations') require the Trustee to prepare an annual statement regarding governance and include this in the Trustee report and accounts each year. These governance requirements apply to all defined contribution ('DC') pension arrangements and aim to help members achieve a good outcome from their pension savings.

This statement has been prepared by the Trustee of the Dow Services UK Pension Plan ('the Plan') to demonstrate how it has complied with the statutory governance standards during the Plan year ending 31 December 2023 ('the reporting period'). It relates to the DC section of the Plan and, where relevant, the additional voluntary contributions ('AVCs') paid by members which were invested with Aviva, Coventry Building Society, Legal & General, Prudential, Santander and Utmost Life and Pensions ('Utmost') for the Main Section, and with Aviva, Principality Building Society and Utmost for the Dow Corning Limited ('DCL') Section of the Plan. The information about the DCL Section AVCs is at the end of this statement.

The statutory governance standards cover the following:

1. The default arrangement
2. Net investment returns
3. Member borne charges and transaction costs

    Default arrangement

    Self-select funds

    Additional Voluntary Contributions

    Illustrations of the cumulative effect of these costs and charges

4. Value for Members assessment
5. Processing of core financial transactions
6. Trustee knowledge and understanding

1. The default arrangement

The Trustee is required to design the default arrangement in members' interests and keep it under review. The Trustee needs to set out the aims and objectives of the default arrangement and take account of the level of costs and the risk profile that are appropriate for the Plan's membership.

It is a new requirement this year that, where a fee is calculated by reference to the returns from investments held by a scheme and is not calculated by reference to the value of the member's rights under the scheme, the trustees must state the amount of any such performance-based fees in relation to each default arrangement.

The Plan is closed to contributions however it has a default arrangement as it was previously used as a Qualifying Scheme for auto-enrolment purposes. The default arrangement is a range of Target Date Funds managed by Alliance Bernstein. Members of the DC Section also have access to a range of self-select funds provided through Fidelity.

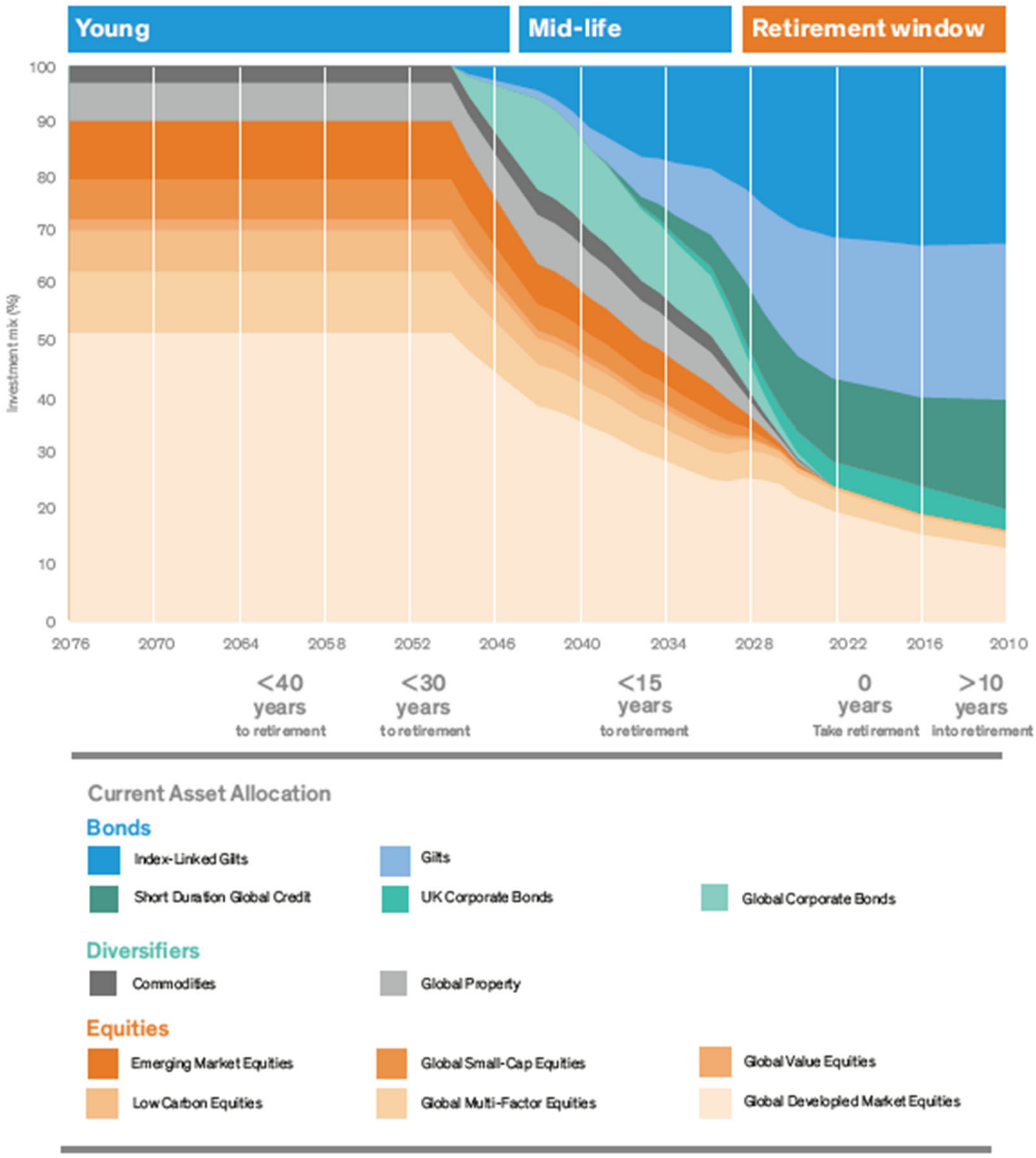
The Trustee is responsible for the Plan's investment governance. This includes setting and monitoring the investment strategy for the Plan's default arrangement, which was provided for members who were automatically enrolled into the Plan. Although these members have since been transferred to another pension scheme, the Alliance Bernstein Target Date Funds are still available to the remaining members of the Plan.

The Plan's Statement of Investment Principles ('SIP') governs the Trustee's decisions about the Plan's investments including their aims, objectives and the Trustee's policies on risk, return and responsible investing. The Plan's SIP is attached to this statement.

The aim of the default arrangement is to achieve good returns for members from a diverse range of assets, taking into account a reasonable level of risk. Risk is determined by the number of years the member has until they retire, what their pension savings could earn over that time and how easy it would be to make up any possible losses in that period.

By investing in this manner, the Trustee expects to deliver growth over the member's lifetime within the Plan without excessive risk-taking and with increased focus on reducing volatility in the final few years leading up to retirement, to enable members to make financial plans for the period after retirement.

The asset allocation of the Target Date Funds is illustrated in the chart below.



Source: Alliance Bernstein

Individuals who were automatically enrolled into the Plan were invested into the Target Date Fund which aligned with a retirement age of 65, however members remaining in the Plan can choose to invest in any Target Date Fund they wish.

The table below shows the percentage of assets allocated to specified asset classes in the default arrangement over the year to 31 December 2023 at various member ages (assuming the member was invested in the Target Date Fund for retirement at age 65).

Table 1

Asset class	Average asset allocation over year to 31 December 2023 (%)			
	25 year old	45 year old	55 year old	65 year old
Cash	0.0	0.0	0.0	0.0
Bonds	0.0	1.0	37.9	64.4
Listed equities	86.2	85.2	52.1	32.0
Private equity	4.8	4.7	2.4	0.5
Infrastructure	0.0	0.0	0.0	0.0
Property	4.4	4.4	3.2	1.1
Private debt	0.0	0.0	0.0	0.0
Other	4.6	4.7	4.4	2.0

The Trustee formally reviews the Plan's investment strategy at least every three years.

The Trustee completed the most recent investment strategy review of the Plan's DC Section investments on 29 June 2022. The review concluded that the investment options available to members remain appropriate and should be maintained, but that members should be encouraged to review the investment strategy they have chosen to ensure it remains suited to their needs. The Trustee actioned this via the Autumn / Winter 2022 newsletter to members.

PI Group monitors the performance of the Alliance Bernstein Target Date Funds and the Fidelity self-select funds available through the Plan against benchmarks and, where relevant, targets that have been agreed with the investment managers, on a monthly basis. It then reports to the Trustee via the investment sub-committee at each meeting. The Trustee formally reviews performance of the DC Section funds on an annual basis. This performance review is separate to the investment strategy review which is undertaken every three years.

The Trustee reviews the suitability of the AVC arrangements every three years. The last AVC review was completed on 12 December 2022. Following this review, the Trustee decided to consolidate AVC funds by moving them to the default investment strategy for the DC section i.e. the Alliance Bernstein Target Date Funds, unless members opted out of the exercise. The consolidation exercise was completed over Q4 2023 and Q1 2024.

The DC Section of the Plan does not operate any specific performance-based fees therefore during the reporting period performance-related fees have been 0%.

Net investment returns

The Trustee is required to report net investment returns for each default arrangement and for each non-default fund which members of the Plan were invested in during the reporting period. The net investment return is the return on the fund after all member-borne transaction costs and charges.

The net investment returns set out below have been prepared having regard to statutory guidance. The guidance states that, where the net returns vary with age, they should be shown for a member aged 25, 45 and 55. For the Alliance Bernstein Target Date Funds, the underlying assets change over time but this is reflected in the performance of the Target Date Fund itself. In the table below, we have shown the returns for a member that is invested in the Target Date Fund aligned to retirement at age 65. So for example, members invested in the 2041 – 2043 Retirement Target Date Fund were aged between 44 and 46 as at 31 December 2023.

Table 2 - DC Section Alliance Bernstein Target Date Funds

Period to 31 December 2023	Investment return		
	1 year (%)	3 years (% p.a.)	5 years (% p.a.)
2017 – 2019 Retirement	8.5	1.0	2.9
2020 – 2022 Retirement	8.9	1.2	3.3
2023 – 2025 Retirement	8.8	1.4	3.9
2026 – 2028 Retirement	9.5	1.9	4.7
2029 – 2031 Retirement	9.7	1.8	5.1
2032 – 2034 Retirement (member aged 55 on 31 Dec 2023)	10.5	2.5	5.7
2035 – 2037 Retirement	11.1	3.6	6.3
2038 – 2040 Retirement	12.1	4.8	7.2
2041 – 2043 Retirement (member aged 45 on 31 Dec 2023)	14.0	6.4	8.2
2044 – 2046 Retirement	15.6	7.0	8.5
2047 – 2049 Retirement	15.7	7.0	8.5
2050 – 2052 Retirement	15.7	7.0	8.5
2053 – 2055 Retirement	15.7	7.0	8.5
2056 – 2058 Retirement	15.7	7.0	8.5
2059 – 2061 Retirement	15.7	7.0	8.5
2062 – 2064 Retirement (member aged 25 on 31 Dec 2023)	15.7	7.0	8.5

Source: Alliance Bernstein

Table 3 - DC Section Self-Select Funds

Period to 31 December 2023	Investment return		
	1 year (%)	3 years (% p.a.)	5 years (% p.a.)
Balanced	9.3	2.3	6.3
Balanced Index	7.5	3.7	5.6
BlackRock Corporate Bond Index All Stocks*	8.6	-4.9	0.3
BlackRock Over 15-Years UK Gilt Index*	1.4	-17.5	-6.5
Cash	4.6	1.9	1.3
Global Growth	7.5	5.6	10.5
Global Growth (UK Focus)	7.3	1.3	6.8
Growth Index	10.4	8.1	8.3
Long Bond (closed)*	Not available		

Source: Fidelity

*These funds have not been available to members for the full reporting period. Fidelity closed the Long Bond fund in October 2023 and the Trustee added the BlackRock Over 15-Years UK Gilt Index Fund and the BlackRock Corporate Bond Index All Stocks Fund to the fund range shortly after this.

Table 4 - Main Section AVC Funds

Period to 31 December 2023	Investment return		
	1 year (%)	3 years (% p.a.)	5 years (% p.a.)
Aviva policies F56854, F57019, F68602, F57098, F57099 & F68601			
Aviva BlackRock (60:40) Global Equity Index Tracker	10.4	7.8	8.4
Aviva Blackrock UK Equity Index	7.8	7.9	6.6
Aviva Blackrock US Equity Index	20.3	11.9	15.7
Aviva Cash	4.8	2.0	1.4
Aviva Index Linked	1.3	-11.1	-4.0
Aviva Managed	7.4	2.0	5.6
Aviva policy 81604			
Aviva Managed	8.0	3.2	5.3
Aviva With Profits FLAS	4.7	3.9	3.8
Aviva policy 90499			
Aviva Mixed Investments 40-85% Shares	8.0	3.7	5.6
Aviva With Profits (CGNU)	5.0	3.9	3.5
LGIM Global Equity 70:30 Index	10.4	8.7	8.5
Prudential Cash	4.5	1.6	0.9
Prudential Deposit	4.6	2.0	1.4
Prudential Discretionary	8.5	5.2	5.0
Prudential Fixed Interest	3.8	-9.4	-3.0
Prudential Global Equity	7.9	5.7	6.3
Prudential Index-Linked	0.4	-13.2	-4.8
Prudential With Profits	1.5	1.2	1.2
Santander Deposit Account	3.9	1.5	1.0
Utmost Managed	8.1	4.8	5.4
Utmost Money Market	4.3	1.6	1.0
Utmost Multi-Asset Cautious	6.3	-1.3	Not available
Utmost Multi-Asset Moderate	9.5	2.9	Not available
Utmost Multi-Asset Growth	10.6	4.9	Not available
Utmost UK FTSE All-Share	7.1	8.0	6.1
Clerical Medical unitised With Profits	0.1	0.1	0.1

Source: AVC providers

Notes

Past performance is not a guide to future performance.

The net investment returns shown for Aviva policy 81604 are for accumulation units and do not take account of the impact of the policy fee.

The Utmost Multi-Asset Funds were launched on 1 January 2020, therefore 5-year returns are not available.

For the Aviva, Clerical Medical and Prudential With Profits Funds, the net investment returns shown above are the bonus rate declared on the fund over the relevant period. Whilst in practice, we would expect a terminal bonus to increase returns to close to the returns on the underlying assets in the With Profits fund over the period held (after all costs of running the fund, including the costs of any guarantees), these amounts are unknown and are not guaranteed. Furthermore, a market value reduction which can reduce the return delivered to investors, may be applied on exit from the With Profits Fund at any time other than at maturity date, or in the event of death before retirement.

3. Member borne charges and transaction costs

The Trustee is required to regularly monitor the level of charges borne by members through the investment funds. These charges comprise:

- *Charges are explicit, and represent the costs associated with operating and managing an investment fund. They can be identified as a Total Expense Ratio ('TER'), which represents the total costs associated with operating and managing an investment fund.*
- *Transaction costs: these are not explicit. In the context of this statement, the transaction costs shown are those incurred when the fund manager buys and sells assets within an investment fund.*

The Trustee is also required to produce an illustration of the cumulative effect of the overall costs and charges on typical members' retirement funds.

The Trustee has set out the costs and charges that were incurred by members for each of the investment funds members invested in during the reporting period in the table below, with the exception of the Fidelity Long Bond Fund, which closed before the end of the reporting period. The charges and transaction costs have been supplied by the providers. Where transaction costs have been calculated to be negative, these have been set to zero by the Trustee to avoid potentially under-stating costs.

Not all providers have been able to provide transaction costs to 31 December 2023 in time to be included in this statement. Where transaction costs are provided for a different period, this is shown in the notes below the tables.

Table 5 - DC Section Alliance Bernstein Target Date Funds

12months to 31 December 2023	Costs and charges		
	TER (%)	Transaction costs (%)	Total (% p.a.)
2017 – 2019 Retirement	0.30	0.09	0.39
2020 – 2022 Retirement	0.30	0.10	0.40
2023 – 2025 Retirement	0.30	0.10	0.40
2026 – 2028 Retirement	0.30	0.11	0.41
2029 – 2031 Retirement	0.31	0.12	0.43
2032 – 2034 Retirement	0.31	0.13	0.44
2035 – 2037 Retirement	0.31	0.13	0.44
2038 – 2040 Retirement	0.31	0.12	0.43
2041 – 2043 Retirement	0.31	0.10	0.41
2044 – 2046 Retirement	0.31	0.09	0.40
2047 – 2049 Retirement	0.31	0.09	0.40
2050 – 2052 Retirement	0.31	0.09	0.40
2053 – 2055 Retirement	0.31	0.09	0.40
2056 – 2058 Retirement	0.31	0.09	0.40
2059 – 2061 Retirement	0.31	0.09	0.40
2062 – 2064 Retirement	0.31	0.09	0.40

Source: Alliance Bernstein

Table 6 - DC Section Self-Select Funds

12months to 31 December 2023	Costs and charges		
	TER (%)	Transaction costs (%)	Total (% p.a.)
Balanced	0.48	0.35	0.83
Balanced Index[1]	0.21	0.00	0.21
BlackRock Corporate Bond Index All Stocks	0.16	0.01	0.17
BlackRock Over 15 Years UK Gilt Index	0.14	0.03	0.17
Cash	0.25	0.00	0.25
Global Growth[1]	0.68	0.04	0.72
Global Growth (UK Focus)[2]	0.53	0.23	0.76
Growth Index[1]	0.17	0.03	0.20
Long Bond [1]	0.39	0.00	0.39

Source: Fidelity

Table 7 - Main Section AVC Funds

12months to 31 December 2023	Costs and charges		
	TER (%)	Transaction costs (%)	Total (% p.a.)
Aviva policies F56854, F57019, F68602, F57098, F57099 & F68601			
Aviva BlackRock (60:40) Global Equity Index	0.5	0.04	0.54
Aviva Blackrock UK Equity Index	0.5	0.07	0.57
Aviva Blackrock US Equity Index	0.5	0.08	0.58
Aviva Cash	0.5	0.01	0.51
Aviva Index Linked	0.5	0.02	0.52
Aviva Managed	0.5	0.11	0.61
Aviva policy 81604[3]			
Aviva Managed	0.5	Not available	Not available
Aviva With Profits FLAS	0.5	Not available	Not available
Aviva policy 90499			
Aviva Mixed Investments 40-85% Shares	0.6	0.06	0.66
Aviva With Profits 1 (CGNU)	0.6	0.07	0.67
Coventry Building Society	0.0	0.0	0.0
LGIM Global Equity 70:30 Index	0.16	0.0	0.16
Prudential Cash[1]	0.55	0.01	0.56
Prudential Deposit[1]	Not applicable	0.0	0.0
Prudential Discretionary[1]	0.77	0.16	0.93
Prudential Fixed Interest[1]	0.76	0.0	0.76
Prudential Global Equity[1]	0.76	0.18	0.94
Prudential Index-Linked[1]	0.76	0.39	1.15
Prudential With Profits[1]	1.11	0.17	1.28
Santander Deposit Account	0.0	0.0	0.0
Clerical Medical unitised With Profits[1]	1.0 (estimated)	0.36	1.36 (estimated)
Utmost Managed	0.75	0.13	0.88

[1] Transaction costs are to 30 September 2023
[2] Transaction costs are to 31 March 2023
[3] Members of this policy also pay a monthly policy fee, paid by cancelling units

Utmost Money Market	0.50	0.01	0.51
Utmost Multi-Asset Cautious	0.75	0.26	1.01
Utmost Multi-Asset Growth	0.75	0.18	0.93
Utmost Multi-Asset Moderate	0.75	0.22	0.97
Utmost UK FTSE All-Share	0.50	0.05	0.55

Source: AVC providers

Notes

The Aviva, Prudential and Clerical Medical With Profits Funds and the Prudential Deposit Fund have no explicit charges. For these Funds, the costs of running the fund are taken account of when the bonus / interest rate is declared each year. The Coventry Building Society and Santander Deposit Accounts operate like a bank account, they are not subject to any charges.

Fidelity, Prudential and Clerical Medical have been unable to provide transaction costs for the reporting period and Aviva has been unable to provide any transaction costs for the funds held in policy 81604, although this has been requested a number of times.

The Trustee has now transferred all AVC funds to the DC section and hopes to be able to report transaction costs for the reporting period in future statements, although Fidelity has confirmed it is reliant on the underlying managers to provide this data.

Illustrations of the cumulative effect of costs and charges

Over time, the charges and transaction costs that are borne by members reduce the amount available to the member at retirement. In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustee has provided illustrations of their cumulative effect on the value of typical members' savings in the Plan over the time to their retirement.

The Trustee has taken account of the statutory guidance when preparing these illustrations, selecting suitable representative members. The illustrations are based on a number of assumptions about the future which are set out in the notes below the illustrations.

You should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Plan, they are not a substitute for the individual and personalised illustrations which are provided to members in their annual benefit statements.

In accordance with the statutory guidance, illustrations have been produced to demonstrate the effect of costs and charges on investment in the default arrangement and the funds with the highest and lowest charges. We have illustrated two categories of DC member - members of the DC Section who have benefits in the DB Section and can therefore use their DC funds as the first source of tax-free cash at retirement (category 1) and members of the DC Section who have a GMP underpin (category 2).

As the funds that were held in the Main Section's AVC arrangements have now been moved to the DC Section, the Trustee has illustrated costs and charges for typical members with AVCs in the DC Section, rather than in the AVC arrangements.

Table 8 - illustration A - based on the category 1 member who has the longest term to retirement. This member is 32 years from retirement and has a current fund value of £7,000.

Projection period (years)	2056 – 2058 Retirement Target Date Fund (default arrangement)			Balanced Fund (highest cost fund)			BlackRock Over 15 Years Gilt Index Fund (lowest cost fund)		
	Fund value:		impact of charges	Fund value:		impact of charges	Fund value:		impact of charges
	Before charges	After charges		Before charges	After charges		Before charges	After charges	
2	£7,630	£7,570	£60	£7,350	£7,230	£120	£7,630	£7,600	£30
7	£9,460	£9,220	£240	£8,290	£7,840	£450	£9,460	£9,350	£110
12	£11,720	£11,220	£500	£9,350	£8,490	£860	£11,720	£11,500	£220
17	£14,530	£13,660	£870	£10,540	£9,210	£1,330	£14,530	£14,140	£390
22	£18,010	£16,620	£1,390	£11,890	£9,980	£1,910	£18,010	£17,390	£620
27	£22,330	£20,230	£2,100	£13,420	£10,820	£2,600	£22,330	£21,390	£940
32	£27,680	£24,630	£3,050	£15,140	£11,730	£3,410	£27,680	£26,310	£1,370

Table 9 - illustration B - based on a typical average category 1 member. This member is 13 years from retirement and has a current fund value of £110,000.

Projection period (years)	2035 – 2037 Retirement Target Date Fund (default arrangement)			Balanced Fund (highest cost fund)			BlackRock Over 15 Years Gilt Index Fund (lowest cost fund)		
	Fund value:		impact of charges	Fund value:		impact of charges	Fund value:		impact of charges
	Before charges	After charges		Before charges	After charges		Before charges	After charges	
3	£120,970	£119,560	£1,410	£118,250	£115,450	£2,800	£125,130	£124,540	£590
8	£141,740	£137,380	£4,360	£133,390	£125,150	£8,240	£155,120	£153,160	£1,960
13	£166,070	£157,850	£8,220	£150,470	£135,660	£14,810	£192,300	£188,360	£3,940

Table 10 - illustration C - based on the category 2 member who has the longest term to retirement. This member is 15 years from retirement and has a current fund value of £5,500.

Projection period (years)	2038 – 2040 Retirement Target Date Fund (default arrangement)			Balanced Fund (highest cost fund)			BlackRock Over 15 Years Gilt Index Fund (lowest cost fund)		
	Fund value		impact of charges	Fund value		impact of charges	Fund value		impact of charges
	Before charges	After charges		Before charges	After charges		Before charges	After charges	
5	£6,510	£6,380	£130	£6,200	£5,960	£240	£6,820	£6,760	£60
10	£7,690	£7,400	£290	£7,000	£6,460	£540	£8,450	£8,320	£130
15	£9,100	£8,590	£510	£7,890	£7,010	£880	£10,480	£10,230	£250

Table 11 - illustration D - based on a typical average category 2 member. This member is 4 years from retirement and has a current fund value of £68,200.

Projection period (years)	2026 – 2028 Retirement Target Date Fund (default arrangement)			Balanced Fund (highest cost fund)			BlackRock Over 15 Years Gilt Index Fund (lowest cost fund)		
	Fund value		impact of charges	Fund value		impact of charges	Fund value		impact of charges
	Before charges	After charges		Before charges	After charges		Before charges	After charges	
4	£75,960	£74,750	£1,210	£75,100	£72,750	£2,350	£80,990	£80,480	£510

Table 12 - Illustration E - based on a member whose AVCs have been transferred to the DC Section who has the longest term to retirement. This member is 20 years from retirement and has a current fund value of £5,100.

Projection period (years)	2044 – 2046 Retirement Target Date Fund (default arrangement)			Balanced Fund (highest cost fund)			BlackRock Over 15 Years Gilt Index Fund (lowest cost fund)		
	Fund value		impact of charges	Fund value		impact of charges	Fund value		impact of charges
	Before charges	After charges		Before charges	After charges		Before charges	After charges	
5	£6,290	£6,180	£110	£5,750	£5,530	£220	£6,320	£6,270	£50
10	£7,760	£7,490	£270	£6,490	£5,990	£500	£7,840	£7,710	£130
15	£9,580	£9,070	£510	£7,320	£6,500	£820	£9,720	£9,490	£230
20	£11,820	£10,990	£830	£8,260	£7,040	£1,220	£12,040	£11,670	£370

Table 13 – illustration F - based on a typical average member whose AVCs have been transferred to the DC Section. This member is 9 years from retirement and has a current fund value of £16,700.

Projection period (years)	2032 – 2034 Retirement Target Date Fund (default arrangement)			Balanced Fund (highest cost fund)			BlackRock Over 15 Years Gilt Index Fund (lowest cost fund)		
	Fund value		impact of charges	Fund value		impact of charges	Fund value		impact of charges
	Before charges	After charges		Before charges	After charges		Before charges	After charges	
4	£18,600	£18,310	£290	£18,390	£17,810	£580	£19,830	£19,710	£120
9	£21,280	£20,540	£740	£20,740	£19,310	£1,430	£24,580	£24,230	£350

Notes for illustrations

- Fund values shown are estimates and are not guaranteed.
- The illustrations assume no further contributions are paid.
- The illustrations allow for the effects of inflation which is assumed to be 2.5% p.a.
- Representative members are based upon the Plan's membership for the DC Section as at 31 December 2023.
- Where available, transaction costs have been averaged over a period up to 5-years, in line with statutory guidance to reduce the level of volatility and a floor of 0% pa has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time.
- The projected growth rates and costs and charges assumed for the illustrations are as follows:

Table 14

DC Section Fund	Growth rate	Costs and charges
2056 – 2058 Retirement Target Date Fund	6.7	0.39% p.a.
2044 – 2046 Retirement Target Date Fund	6.6	0.41% p.a.
2038 – 2040 Retirement Target Date Fund	5.7	0.41% p.a.
2035 – 2037 Retirement Target Date Fund	5.5	0.41% p.a.
2032 – 2034 Retirement Target Date Fund	5.3	0.32% p.a.
2026 – 2028 Retirement Target Date Fund	5.0	0.42% p.a.
Balanced Fund	4.5	0.83% p.a.
BlackRock Over 15 Years Gilt Index Fund	6.9	0.17% p.a.

4. Value for Members assessment

The Administration Regulations require the Trustee to make an assessment of charges and transactions costs borne by members and the extent to which those charges and costs represent good value for money for members.

The Trustee is committed to ensuring that the Plan provides value for members i.e. that the costs and charges deducted from members' accounts provide good value in relation to the benefits and services provided by or on behalf of the Plan. This was a key factor in the Trustee's decision to move the Main Section AVC funds to the DC Section.

There is no legal definition of "good value" or the process of how to determine this for members. Therefore, the Trustee's professional advisers have developed a cost-benefit analysis framework in order to make an assessment as to whether members receive good value from the Plan, relative to the costs and charges they pay.

The costs have been identified as the TER and transaction costs, as set out in section 3 of this statement.

The Trustee has considered the benefits of membership under the following categories: governance, investments, administration, member communications and engagement and retirement options / support. Benchmarking relative to other pension arrangements and industry best practice guidelines has also been undertaken. The results of this assessment for the reporting period are summarised under these sub-headings below.

Costs and charges - Members of the DC Section pay only the investment fees on their funds and the benchmarking carried out as part of the value assessment has led the Trustee to conclude these are in line with other arrangements held on an investment-only basis. Based upon this years' assessment, the charges paid by AVC members on all funds are in line with those on other similar arrangements.

No benchmarking information is publicly available for transaction costs but the Trustee's advisers have confirmed that the transaction costs reported in this statement are not out of line with those reported by other providers for similar funds.

Governance - The Trustee has a suitable framework in place for governance monitoring with the right structures in place to support effective management of risks A proportionate approach has historically been taken to governance of the AVC arrangements, they have been reviewed every three years but no direct monitoring takes place between reviews. The Main Section AVCs have now been moved to the DC Section so they will be subject to much more robust governance oversight.

Core financial transactions and other key governance metrics are monitored quarterly. The Plan Administrator regularly attends meetings with the Trustee. The Trustee has a Governance sub-committee in place which spends an appropriate amount of time discussing relevant aspects of the Plan's DC arrangements.

Investments - The Trustee has an Investment Committee in place which focuses on investment matters. The Plan's DC Section provides access to the Target Date Funds as well as a range of self-select funds which provide access to the main liquid asset classes. Investment performance is monitored monthly by PI Group and quarterly by the Investment Sub-Committee. The last investment strategy review was completed in 2022 so the next review is due in 2025. Most AVC policies have provided access to a range of investment options which have been expected to be capable of meeting members' needs, and following the consolidation, members will now be able to access the funds available through the Plan's website.

Administration - The Trustee has a service level agreement in place with the Plan's administrators and receives quarterly reports to monitor performance against this. The reports also include details of any member complaints received. Although the Trustee does not have a scheme-specific service level agreement in place with AVC providers, this is in line with market practice and poor performance by AVC providers would expect to be reflected in the administrator's quarterly reporting. The annual renewal process involves data checks being carried out ahead of provision of data for annual benefit statements. The quality of the Plan's common and conditional data is reviewed every three years.

Member communications and engagement - The Trustee updated all literature for the Plan during 2022. The Plan website allows members to easily access key plan documents such as the member booklet, investment guide and newsletters. It also includes links to the DC Section fund factsheets, a fund switch form and expression of wish form. Members can register to view their DC Section accounts via the Plan's website. The Plan administrators' quarterly reports to the Trustee cover any member feedback and complaints received.

Retirement options and support - Retirement communications adhere to Pension Quality Mark standards and the retirement support given to members is appropriate, in view of the fact that most members are expected to take funds as the first source of tax-free cash or use funds to buy scheme pension or provide Guaranteed Minimum Pension.

Conclusion - the Trustee's assessment for the reporting period has concluded that the costs and charges borne by members represent good value for members relative to the benefits of Plan membership.

5. Processing of Core Financial Transactions

The Trustee has a specific duty to ensure that core financial transactions are processed promptly and accurately. For the Plan, core financial transactions include, but are not limited to:

- *the transfer of member funds out of the Plan,*
- *transfers between different investments within the Plan (fund switches),*
- *and payments to and in respect of members/beneficiaries.*

The bulk of the DC core financial transactions are undertaken on behalf of the Trustee by the Plan administrator of the Main Section, Capita. The Trustee has a service level agreement in place with Capita, which covers the Main DB and DC Sections of the Plan. The service level agreement details a number of key administration processes to be performed and the target timescale within which each of these processes needs to be completed. The service level agreement covers all core financial transactions.

Under the current service level agreement, Capita aims to accurately complete all financial transactions within 2 to 5 working days. During the reporting period, Capita met its service level agreement in 94.7% of cases (this covers both DC and DB core and non-core transactions).

Capita also adopts a number of processes in order to minimise the risk of errors or delays to processing core financial transactions. These include:

- A full member and Plan reconciliation being undertaken annually as part of the annual preparation of the Trustee report & Accounts.
- Provision of quarterly administration reports – enabling the Trustee to check core financial transactions and review operations more widely.
- Monthly contribution checks and daily reconciliation of the Trustees' bank account.
- Appropriate controls (for example, manager authorisation) within the Finance and Treasury teams for processing lump sum and transfer payments.
- Documentation and operation in line with quality assurance policies and procedures.

The Trustee also has a service level agreement in place with Aon, who administer the DCL Section of the Plan.

The Trustee does not have a scheme-specific service level agreement in place with any of the AVC providers. This is in line with market practice for AVC providers, though the providers do operate target timescales for processing core financial transactions.

Capita and Aon do not formally report to the Trustee on any delays to core financial transactions by the AVC providers, though they do consider the impact of delays by these providers on their own service levels. The Trustee therefore expects any major issues with the AVC providers to be raised by Capita or Aon as appropriate.

All providers of administration services to the Plan have internal controls in place to monitor their administration processes and procedures. The Trustee reviews Capita's and Aon's controls as part of the Plan's risk register.

The Trustee has monitored core financial transactions over this reporting period, in so far as the reporting provided by the administrators allows it to do so.

The Trustee is satisfied that over the reporting period:

- the Plan's administrators were operating appropriate procedures, checks and controls and operating within the agreed service level agreement;
- there have been no material administration errors in relation to processing core financial transactions; and
- all core financial transactions have been processed accurately and the majority have been processed promptly during this reporting period.

6. Trustee Knowledge and Understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for Trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of scheme assets and other matters to enable them to exercise their functions as Trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 7.

The comments in this section relate to the Plan as a whole and not solely the DC Section.

The Trustee board is made up of eight Trustee Directors (five company-appointed and three member-nominated). Consideration is given to the diversity of the Trustee Board and Trustee Directors' skills and experience during the appointment and nomination processes. The Trustee recognises that keeping Trustee Knowledge and Understanding up to date is critical and, whilst there is significant experience on the Board, there is a need to support new Trustee Directors when they are appointed to the Board. Two new Directors were appointed during this reporting period. Udipta Mukherji replaced Carmen Floristan and Liza Adeyemi replaced Rob Sparling as Company-appointed Trustee Directors. Udipta and Liza had an introduction session with the Plan lawyers & actuarial advisers following their appointment.

The Trustee has put arrangements in place to ensure that Trustee Directors take personal responsibility for keeping themselves up to date with relevant developments and carry out a self-assessment of training needs. The self-assessments are reviewed by the Secretary to the Trustee who then arranges for training to be made available to individual Directors or to the whole Trustee body, as appropriate.

The Secretary to the Trustee maintains a record of training undertaken during the year.

During this reporting period, the Trustee Directors attended training sessions on:

- Processes for buy-in and buy-out and recap on bulk annuities and the rationale for undertaking;

  Buy-in process (Main Section)
  Road to buy-out (DCL Section)

- DC hot topics

A Trustee skills assessment was also completed during this reporting period, to identify any knowledge gaps across the Trustee Board.

In addition, the Trustee receives advice from its professional advisers, who regularly attend meetings. The Trustee Directors engaged with professional advisers regularly throughout the reporting period to ensure that they exercised their functions properly and took professional advice where needed. In exercising their functions, the Trustee Directors have required knowledge of key scheme documents such as the Trust Deed & Rules, Trustee Report & Accounts, Statement of Investment Principles and all other documents setting out the Trustee's current policies and procedures.

In summary, taking account of the actions taken individually and as a Trustee body, and the professional advice available, the Trustee Directors believe that together they have sufficient knowledge and understanding of the law relating to pensions and trusts and the relevant principles relating to the funding and investment of occupational schemes to properly exercise their functions as the Trustee of the Plan.

Signed on behalf of the Trustee of the Dow Services UK Pension Plan

Andrew Jones, Chair of the Trustee

Signature____________________________

Date ________________________________

DCL Section AVC Funds

Table 15 - Net investment returns:

Period to 31 December 2023	Investment return		
	1 year (%)	3 years (% p.a.)	5 years (% p.a.)
Aviva BlackRock Over 15 Years Gilt Index	1.5	-17.2	-6.5
Aviva BNY Mellon Multi-Asset Growth	6.3	7.7	11.1
Aviva Deposit	4.7	2.0	1.5
Aviva European Equity	14.3	8.4	8.8
Aviva Gilt	4.8	-8.6	-2.4
Aviva Global Bond	6.5	-3.8	1.1
Aviva Global Equity	12.6	8.5	10.4
Aviva Index-Linked Gilt	1.3	-13.3	-4.9
Aviva International Index Tracking	17.3	9.5	13.0
Aviva Invesco European Equity	17.1	12.1	9.9
Aviva Liontrust UK Ethical	4.5	-4.4	4.7
Aviva Long Gilt	2.4	-17.0	-6.2
Aviva Mixed Investment (0-35% Shares)	6.7	-0.4	2.7
Aviva Mixed Investments (40-85% Shares)	8.6	4.3	6.2
Aviva My Future Focus Consolidation	6.3	0.1	3.1
Aviva Ninety One American Franchise	25.6	11.9	16.4
Aviva Pacific Equity	10.6	4.0	8.4
Aviva Property	-0.2	1.9	0.9
Aviva Schroder Gilt & Fixed Interest	4.0	-9.4	-3.0
Aviva UK Equity	7.9	8.5	7.2
Aviva UK Index Tracking	7.0	8.1	6.7
Aviva US Equity	20.3	12.0	15.7
Aviva With Profits (CGNU)	5.0	3.9	3.5
Principality Deposit Account	3.0	Not available[4]	Not available[4]
Utmost Multi-Asset Cautious	6.3	-1.3	Not available**Error! Bookmark not defined.**
Utmost Multi-Asset Moderate	9.5	2.9	Not available[5]
Utmost Money Market	4.3	1.6	1.0

Source: AVC providers

[4] Principality has confirmed the interest added over 2022 (1.4%) and 2023 (3%) but not more historic interest rates

[5] 5 Year performance data is not available for Utmost Multi-Asset Moderate and Utmost Multi-Asset Cautious as the funds were established 01 January 2020

Table 16 - Member borne charges and transaction costs:

12 months to 31 December 2023*	Costs and charges		
	TER (%)	**Transaction costs (%)**	**Total (% p.a.)**
Aviva BlackRock Over 15 Years Gilt Index	0.6	0.02	0.62
Aviva BNY Mellon Multi-Asset Growth	0.95	0.08	1.03
Aviva Deposit	0.6	0.0	0.60
Aviva European Equity	0.6	0.07	0.67
Aviva Gilt	0.6	0.10	0.70
Aviva Global Bond	0.6	0.06	0.66
Aviva Global Equity	0.6	0.04	0.64
Aviva Index-Linked Gilt	0.6	0.11	0.71
Aviva International Index Tracking	0.6	0.00	0.60
Aviva Invesco European Equity	0.6	0.09	0.69
Aviva Liontrust UK Ethical	0.6	0.10	0.70
Aviva Long Gilt	0.6	0.08	0.68
Aviva Mixed Investment (0-35% Shares)	0.6	0.06	0.66
Aviva Mixed Investments (40-85% Shares)	0.6	0.04	0.64
Aviva My Future Focus Consolidation	0.6	Not available	Not available
Aviva Ninety One American Franchise	1.2	0.01	1.21
Aviva Pacific Equity	0.6	0.10	0.70
Aviva Property	0.6	0.09	0.69
Aviva Schroder Gilt & Fixed Interest	0.9	0.05	0.95
Aviva UK Equity	0.6	0.07	0.67
Aviva UK Index Tracking	0.6	0.07	0.67
Aviva US Equity	0.6	0.00	0.60
Aviva With Profits (CGNU)	0.6	0.07	0.67
Principality Deposit Account	0.0	0.0	0.0
Utmost Multi-Asset Moderate	0.75	0.22	0.97
Utmost Multi-Asset Cautious	0.75	0.26	1.01
Utmost Money Market	0.5	0.01	0.51

Source: AVC providers

*Note Aviva transaction costs are for the 12-month period to 30 September 2023, these are the latest available at the time of writing this statement.

The Dow Services UK Pension Plan

Statement of Investment Principles (the "Statement")

Scope of Statement

This Statement has been prepared in accordance with sections 35 and 36 of the Pensions Act 1995, as amended by sections 244 and 245 of the Pensions Act 2004, respectively, and the Occupational Pension Schemes (Investment) Regulations 2005.

This statement has been commissioned by Dow Services Trustees UK Limited (the "Trustee"), as Trustee of the Dow Services UK Pension Plan (the "Plan"). The Plan comprises two segregated sections – the Segregated Dow Section (DB Section and DC Section) and the Segregated DCL Section (DB). In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policies for each section but will delegate the responsibility for selection of specific investments to the appointed investment managers, which may include an insurance company or companies. The Investment Managers shall provide the skill and expertise necessary to manage the investments of each section of the Plan.

The Trustee will review this Statement and the Segregated Dow Section and Segregated DCL Section's investment strategy no later than three years after the effective date of this Statement and without delay after any significant change in investment policy.

The effective date of this Statement is 1 July 2023.

Consultations made and parties involved

The Trustee has consulted with the Company prior to writing this Statement and will take the Company's comments into account when it believes it is appropriate to do so. The Trustee will also consult with the Company on any revision to this statement.

The Trustee is responsible for the investment strategies of the Dow Section and Segregated DCL Section. It has obtained and considered written advice on the investment strategy appropriate for each Section. It has obtained advice on the preparation of this Statement from Aon Solutions UK Limited ("Aon") which is authorised and regulated by the Financial Conduct Authority.

A copy of this Statement is available to the members of the Plan via the website https://www.mydowpension.co.uk or on request.

The SIP is constructed as follows:

Part A – Applies to the Dow Section (Defined Benefits and Defined Contribution)

Part B – Applies to the DCL Section

Part C – Applies to both the Dow Section and DCL Section.

Full details for the current investment arrangements are contained in a separate document - the Summary of Investment Arrangements (the Summary).

Part A - Dow Section

The Dow Section provides various types of pension arrangement, including a Defined Contribution Section and Defined Benefits Section.

Defined Benefits Section

Objectives

The Trustee's objectives for the investment strategy of the DB assets of the Dow Section have been set with regard to the Long Term Funding Target as agreed between the Trustee and the Company.

The primary objective of the investment strategy is to ensure that the Plan’s assets and future contributions are invested in such a manner that the benefits due to members and their beneficiaries can be paid from the Plan as they arise.

Over the long term, the Trustee aims to improve the funding level on an ongoing basis, and also relative to a long term funding target.

Risk

The Trustee recognises that the key risk to the Defined Benefits Section 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 deterioration in the Plan’s funding level and therefore contribute to funding risk. The key risks and measures taken to manage these are as follows:

- **Mismatching risk:** The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors. This is measured through asset liability modelling, ongoing triennial actuarial valuations and ongoing monitoring and is managed through investment in liability matching assets.
- **Manager risk:** is measured by the expected deviation of the prospective return, as set out in the manager(s)’ objectives, relative to the investment policy. This is managed through the diversification of assets between managers and the ongoing monitoring of the manager(s)’ actual deviation of returns relative to the objective and factors supporting the manager(s)’ investment process.
- **Liquidity risk:** The risk of a shortfall of liquid assets to meet the immediate cashflow required by the Plan. This is managed by the Plan’s administrators who monitor the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.
- **Political risk:** The level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention. This is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

- **Currency risk:** The Trustee recognises the risk associated with currency exposure, but the Plan's exposure is limited and expected to decline further as the Trustee continues to reduce risk by aligning the Plan's assets with risk settlement insurance pricing over time.
- **Covenant risk:** The Trustee's willingness to take on investment risk is dependent on the continuing financial strength of the Company and its willingness to contribute to the Dow Section. The strength of the Company and its perceived commitment to the Plan is monitored by the Trustee and the risk will be reviewed if either of these deteriorates.
- **Environmental, Social and Governance:** The Trustee recognises the risks that Environmental, Social and Governance ("ESG") may have on the Plan's investments. The Trustee delegates day to day investment decisions, including integration of financially material ESG risks and opportunities, including climate change, to its investment managers. In addition, the Trustee recognises that these factors encompass a broad range of matters that are to be considered in the context of evaluating and monitoring the long-term investment risks, in addition to traditional financial analysis as part of the investment process. In Part C we address specific ESG risks in the sections: Arrangements with Asset Managers, Stewardship – Voting and Engagement, Member Views and Non-Financial Factors and Cost Monitoring.
- **Cyber:** The Trustee recognises the importance of cyber security and the increasing risks in this area. It receives training in this area, where appropriate, to ensure that cyber risks are understood and mitigated.

Kind of investments

The assets of the Plan are invested in the best interests of the members and beneficiaries.

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Defined Benefits Section, its cashflow requirements, the funding level and the Trustee objectives. This is reviewed by the Trustee after each triennial actuarial valuation with the help of its advisers.

Investment management responsibility is delegated to the investment managers who were appointed by the Trustee. The Trustees' policy is to endeavour to secure the safety of the Plan's assets, and it has appointed a custodian for safe keeping of the assets. With regards to the review and selection of their investment manager, the Trustee takes expert advice.

The Trustee has taken advice from both the actuaries and the investment consultant to ensure that the range of funds is suitable and that the assets held in respect of the pension liabilities are appropriate. The Trustee will continue to monitor, and take advice on, the various options on an ongoing basis.

The Trustee recognises that there is a risk in holding assets that cannot be easily realised should the need arise. The majority of the assets held are realisable at short notice.

Investment Strategy and asset allocation

The planned asset allocation strategy was determined with regard to the actuarial characteristics of the Plan, in particular the strength of the funding position and the liability profile.

The Trustee's policy is to seek to achieve the objectives through investing in a suitable mixture of real (e.g. equities) and monetary (e.g. fixed interest) assets. It recognises that the returns on real assets, while expected to be greater over the long term than those on monetary assets, are likely to be more volatile. A mixture across asset classes should nevertheless provide the level of returns required by the Dow Section to meet its liabilities at an acceptable level of risk for the Trustee and an acceptable level of cost to the employer.

When choosing the Plan's planned asset allocation strategy, the Trustee considered written advice from its Investment Advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes;
- The risks and rewards of a range of alternative asset allocation strategies;
- The suitability of each asset class; and
- The need for appropriate diversification.

The strategic asset allocation of the Dow Section is set after an assessment of all the major asset classes, including private equity and alternative asset classes, such as hedge funds and property, among others.

Defined Contribution Assets

Objectives

The Trustee's primary objective is to make a suitable range of liquid funds available to members which will generate income and capital growth which, together with new contributions from members and the Company, will provide a fund at retirement with which to access benefits. The Trustee seeks to ensure that it makes available a sufficient range of asset classes which the Trustee believes will enable members to invest in a manner which reflects their attitude to risk and proximity to retirement.

Risk

The Trustee recognises a number of additional risks involved in the investment of assets of the Defined Contribution section, including:

- **Inadequate long-term returns:** As members' benefits are directly dependent on the investment returns achieved, it is important that investment vehicles which can be expected to produce adequate real returns over the longer term are available. Historically, equities have produced the best real returns over the longer term.
- **Deterioration in investment conditions near retirement:** For a given amount of money the level of pension secured will depend upon investment conditions at retirement. A sharp deterioration in these conditions in the period just prior to retirement will have a substantial impact

on the benefits provided. The Trustee is satisfied that the range of funds offered will enable members to take the necessary steps to safeguard against this.

- **Lack of diversification:** Within each fund available to members, the holdings should be adequately diversified. To achieve this, the Trustee has selected funds which, by their nature, invest in a large number of holdings. There are also two separate balanced funds offering members the chance of diversifying whilst still providing potential for long-term growth.
- **Manager risk:** The Trustee believes that by offering both active and passive investment management options, members are given the opportunity to obtain outperformance by the managers, or to address the risk of underperformance by the managers, against the relevant market.
- **Risk from excessive charges:** If the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of members' accounts will be reduced unnecessarily. The Trustee, therefore, has looked closely at the terms and conditions offered by the investment managers and are satisfied that the level of charges will not unnecessarily reduce members' accounts.
- **Other risks:** There are a number of other risks that arise from certain investment activities. The investment managers may place controls on such activities, and these are set out in the policy documentation appropriate to each fund.
- **Environmental, Social and Governance:** The Trustee recognises the risks that Environmental, Social and Governance ("ESG") may have on the Plan's investments. The Trustee delegates day to day investment decisions, including integration of financially material ESG risks and opportunities, including climate change, to its investment managers. In addition, the Trustee recognises that these factors encompass a broad range of matters that are to be considered in the context of evaluating and monitoring the long-term investment risks, in addition to traditional financial analysis as part of the investment process. In Part C we address specific ESG risks in the sections: Arrangements with Asset Managers, Stewardship – Voting and Engagement, Member Views and Non-Financial Factors and Cost Monitoring.
- **Cyber:** The Trustee recognises the importance of cyber security and the increasing risks in this area. It receives training in this area, where appropriate, to ensure that cyber risks are understood and mitigated.

The Trustee undertakes to monitor these risks on a regular basis.

Kind of investments

The key source of financial risk (in relation to members meeting their objectives) normally arises from asset choice. The Trustee therefore retains responsibility for the investment fund options made available to the membership and takes expert advice as required from its professional advisers.

The Scheme provides an extensive list of investment options for members through which a number of different investment managers and funds can be accessed.

Members for whom the Trustee has no valid investment instruction will have their funds invested in the default arrangement.

Investment Strategy and asset allocation

The Trustee's policy is to provide suitable information for members so that they can make appropriate investment decisions. The range of funds was chosen by the Trustee after taking advice from its advisers. In choosing the Plan's investment options, it is the Trustee's policy to consider:

- A full range of asset classes.
- The suitability of the possible styles of investment management and the need for manager diversification.
- The suitability of each asset class for a defined contribution scheme.
- The need for appropriate diversification of asset classes.

The Trustee expects the long-term return on the investment options that invest predominantly in growth assets (e.g. equities, etc) to exceed price inflation and general salary growth.

The long-term returns on Bond and Cash funds are expected to be lower than returns on growth asset options however, these are expected to be less volatile.

For members who plan to invest in an annuity at retirement, investing in Bond funds as retirement approaches can help to mitigate the risk of annuity prices changing unfavourably relative to their underlying investments.

Cash funds aim to provide protection against changes in short-term capital values and may be appropriate for members receiving part of their retirement benefits in the form of tax-free cash.

Part B - DCL Section

Objectives

The primary objective of the investment strategy is to ensure that the Plan's assets and future contributions are invested in such a manner that the benefits due to members and their beneficiaries can be paid from the Plan as they arise.

During the fourth quarter of 2021 the Scheme invested in a Bulk Purchase Annuity Agreement ("Annuity Policy") with Rothesay Life. This policy insures the liabilities of the members of the DCL Section of the Plan. The policy is an asset of the DCL Section which will pay amounts to the Trustees to exactly match the benefit payments due. The Trustee received advice on the suitability of this contract from their Risk Settlement Consultants.

Risk

As the DCL Section's primary asset is a Bulk Purchase Annuity Agreement with Rothesay, the key risk to the Defined Benefit Section of the Plan is that of the insurer defaulting. The Trustee considered the credit strength of the insurer as part of its due diligence process. Having considered this, in addition to several other factors including the regulatory environment provided by the Financial Conduct Authority and The Prudential Regulation Authority and following advice from their Risk Settlement Consultants, the Trustee considered this to be an appropriate investment for the Plan.

Kind of investments

The primary asset of the Scheme is the bulk annuity policy. In addition, the Trustee holds cash and cash like assets and, as at the date of this statement is anticipating further cash amounts as the proceeds from illiquid asset sales instructed before the purchase of the bulk annuity.

Part C – Dow Section and DCL Section

The following sections apply to both the Segregated Dow Section and the Segregated DCL Section.

The Trustee has delegated the implementation of its investment strategy to the Dow Europe GmbH Portfolio Investment Team ("PIT") via an Investment Management Agreement.

Aon has been selected as Investment Adviser to the Trustee. They operate under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions itself and to monitor those it delegates.

Arrangements with Asset Managers

The Trustee recognises that arrangements with its fund managers are important to ensure that interests are aligned. The Trustee seeks to ensure that the fund managers are incentivised to operate in a manner that generates the best long-term results for the Plan and its beneficiaries.

The Trustee regularly monitors the investments to consider the extent to which the investment strategy and decisions of the fund managers are aligned with the Trustee's policies. This includes monitoring the extent to which fund 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's policy is to monitor the Annuity Policy with Rothesay on an annual basis.

The Trustee is supported in this monitoring activity by its investment adviser and the Portfolio Investment Group. The Trustee receives regular reports and verbal updates from the investment adviser and Portfolio Investment Group on various items including the investment strategy, performance, and positioning of the portfolio. The Trustee's focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan objectives and assess the fund managers over the long-term. The Trustee also receives annual stewardship information on the monitoring and engagement activities carried out by its fund managers, which supports the Trustee in determining the extent to which the Trustee's engagement policy has been followed throughout the year. The Trustee recognises that this monitoring activity is important to encourage fund managers to take appropriate steps to enhance the long-term value of assets through engagement activity.

Before appointment of a new fund manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where necessary, 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, then the Trustee will express its expectations to the fund managers 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 fund managers by other means (where necessary), and regular monitoring of fund managers' performance and investment strategy, is in most cases sufficient to incentivise the fund managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where fund managers are 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 first engage with the manager but could ultimately replace the manager where this is deemed necessary.

There is typically no set duration for arrangements with fund managers, although the continued appointment of all fund managers will be reviewed periodically. For any closed ended vehicles, the duration may be defined by the nature of the underlying investments.

Stewardship – Voting and Engagement

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests, as this ultimately creates long-term financial value for the Plan and its beneficiaries.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to purchase an annuity and has delegated the management of the collateral backing these policies to Rothesay for the DCL Section. The Trustee does not attempt to influence the ESG integration nor stewardship policies and practices of Rothesay in managing these assets. The responsibility for voting and engagement with managers is with Rothesay.

As part of its delegated responsibilities, the Trustee expects the Plan's investment managers to:

- Where appropriate, engage with investee companies with the aim to protect and enhance the long-term value of assets; and
- exercise the Trustee's voting rights in relation to the Plan's assets.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser and Portfolio Investments Group with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

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

Managers are expected to vote at company meetings and engage with companies on the Trustee's behalf in relation to ESG considerations and other relevant matters (such as the companies' performance, strategy, risks, capital structure, and management of conflicts of interest). This engagement aims to ensure that robust active ownership behaviours, reflective of the Trustee's active ownership policies, are being actioned.

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Plan's assets, in particular where: votes were cast against management; votes against management generally were significant; votes were abstained.

On an annual basis, the Trustee reviews the stewardship policies and practices of all managers. The transparency provided by managers should include detailed examples of engagements covering engagement objectives, method of engagement, outcomes to date, escalation points and procedures as necessary. Prospective investment managers are also required to provide this information for the Trustee to review in advance of any new appointment.

If an incumbent manager is found to be falling short of reasonable standards relating to matters including performance, strategy, risks, social/environmental impact, corporate governance, capital structure, and conflicts of interest; the Trustee will consider, on a case by case basis, a broad range of methods (such as emails and meetings) to undertake to engage with the manager to seek improvements to respective processes to bring about the best long-term outcomes for the Plan. If, following engagement with the manager, it is the view of the Trustee that the degree of improvement remains unsatisfactory, the arrangements with the manager may be altered or their appointment terminated.

Member Views and Non-Financial Factors

At present the Trustee does not explicitly take into account the views of the Plan's members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors) in scheme design or strategy.

Costs Monitoring

The Trustee monitors investment manager performance on a 'net of all costs' basis and believe this provides an incentive for the control of costs. However, the Trustee also undertakes regular and consistent monitoring of the costs in the belief that this will enhance the incentive to reduce any inefficiencies in the cost structure.

Cost Transparency

The Trustee expects all of the Plan's investment managers to provide it with full cost transparency in line with industry standard templates. Prior to their appointment, the Trustee asks investment managers to confirm their adherence to providing this information.

The Trustee assesses the performance of its investment managers on a quarterly basis and the remuneration of their investment managers on an annual basis. On an annual basis, all of the investment managers are asked to provide details of the costs incurred in managing the Plan assets, using industry disclosure templates. These costs include portfolio turnover costs (transaction costs).

Where the disclosed costs are out of line with expectations the managers will be asked to explain the rationale, including why it is consistent with their investment strategy.

Portfolio Turnover

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. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and manager's style and historic trends. Where the Trustee's monitoring identifies a lack of consistency or concern with the relative value being received the mandate/asset class will be reviewed.

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment managers' fund holdings change over a year. The Plan's investment adviser and Portfolio Investment Group monitors this on behalf of the Trustee as part of the manager monitoring they provide to the Trustee and flags to the Trustee where there are concerns.

Evaluation of Performance and Remuneration

The Trustee undertakes analysis of the Plan's costs and performance on at least a triennial basis by receiving benchmarking analysis comparing the Plan's specific costs and performance of the underlying managers relative to those of the wider market. This is in line with the Trustee's policies on reviewing the kinds of investments to be held.

The Trustee paid a premium to Rothesay when the Annuity Policy was initiated, and as a result there are no ongoing fees in respect of the policy (where the majority of the Plan's assets are held). The Trustee does not pay fees for the management of the collateral assets over which Rothesay has a fixed charge.

Governance

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

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. These include vehicles available for members' AVCs. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity

- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The Trustee's investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustee will review this Statement at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Company over any changes to the Statement.