Statement of Investment Principles for the GEAPS Pension Scheme

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of the Directors of GE Vernova Pension Trust Limited (the "Trustee"), Trustee of the GEAPS Pension Scheme (the "Scheme"), on various matters governing decisions about the investments of the Scheme, a Defined Benefit ("DB") Scheme.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act"), the Occupational Pension Schemes (Investment) Regulations 2005 (as amended) and the Pension Regulator's guidance for defined benefit pension schemes (March 2017 and as updated).

This SIP has been prepared after obtaining and considering written professional advice from the Scheme's Strategic Investment Consultant, whom the Trustee believes to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments including the need for diversification, given the circumstances of the Scheme, and the principles contained in this SIP.

The Trustee has consulted the participating employers: General Electric Energy UK Ltd, General Electric International Inc, GE Oil & Gas Marine & Industrial UK Ltd and GE Global Services GMBH, UK Branch (together the "Employer") and the Trustee will consult the Employer before revising this document. The ultimate power and responsibility for deciding investment policy lies solely with the Trustee, though under a Guarantee by GEH Holdings dated 5 July 2016 the Trustee has sought and obtained the agreement of the Employer so as not to invalidate the Guarantee.

The Trustee has also sought comments on this SIP from the Scheme Actuary, GE CIF Trustees Limited (the "GE CIF Trustee") and State Street Global Advisers Trust Company ("SSGA").

The Trustee will review this SIP from time to time and, with the help of its advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, and at least once every three years.

The Scheme has unit holdings in various units within the GE CIF. The Trustee has entered into an agreement with SSGA, the GE CIF Trustee and SSGA Funds Management Inc ("SSGA FM"), the Fiduciary Management Agreement ("FMA"). The Trustee is responsible for setting the investment strategy which is then implemented within the GE CIF by the GE CIF Trustee, SSGA and SSGA FM.

Appendix 1 sets out details of the respective key responsibilities of the Trustee, Strategic Investment Consultant, SSGA, SSGA FM, Inc and the GE CIF Trustee.

Appendix 2 sets out the Trustee's policy towards risk, risk measurement and risk management. Appendix 3 sets out the Scheme's Additional Voluntary Contributions ("AVC") arrangements.

2. Investment objectives

The Scheme operates for the exclusive purpose of providing retirement benefits to eligible participants and beneficiaries.

The primary long-term investment objectives of the Trustee can be summarised as follows:

- the acquisition of secure assets of appropriate liquidity which will generate income and capital growth to meet, together with any new contributions from members and the Employer, the cost of current and future benefits which the Scheme provides, as set out in the Trust Deed and Rules;
- to limit the risks of the assets failing to meet the liabilities over the long-term the Trustee aims to achieve a return consistent with the funding agreement dated August 2022; and
- to minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the objective under the second bullet point above. What the Trustee determines to be an appropriate level of risk is set out in Appendix 2.

In addition to the above primary objectives, the Trustee has a secondary objective of being fully funded on a gilts + 0.5% pa basis in the longer term.

The objectives above recognise the Trustee's need to reduce the risk of a potential deficit in the Scheme's funding level, as well as the requirement to ensure the security, quality and liquidity of the Scheme as a whole. In this respect, the Trustee also has regard to the fact that:

- assets held to cover the Scheme's technical provisions must also be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme;
- the assets of the Scheme must consist predominantly of investments admitted to trading on regulated markets. In this context, an investment in a collective investment fund shall be treated as an investment on a regulated market to the extent that the investments held by that fund are themselves so invested;
- investment in assets which are not admitted to trading on such markets must in any event be kept to a prudent level;
- the assets of the Scheme must be properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings and so as to avoid accumulations of risk in the portfolio as a whole. Investments in assets issued by the same issuer or by issuers belonging to the same group must not expose the Scheme to excessive risk concentration;
- investment in derivative instruments may be made only in so far as they contribute to a reduction of risks, or facilitate efficient portfolio management (including the reduction of cost or the generation of additional capital or income with an acceptable level of risk), and any such investment must be made and managed so as to avoid excessive risk exposure to a single counterparty and to other derivative operations; and
- the Trustee's investment objective is to maximise the return on the Scheme's assets whilst managing and maintaining investment risk at an appropriate level, and taking into account the primary objective.

3. Investment strategy

The Trustee, with the help of its advisers and in consultation with the Employer, considered its investment strategy in conjunction with the 2018 actuarial valuation taking into account the objectives described in Section 2 above.

The Trustee considered the investment strategy during a review in Q3 2022 and subsequently in Q2 2023, agreeing that the strategic allocation of the Scheme should be based on the allocation below, with an overall target return of gilts plus 1.3% pa.

Asset class	Strategic allocation	Control range
Return Seeking Portfolio	**24.5%**	**10-50%**
Global developed equity [a]	10.0%	0-15%
Private equity [d]	1.0%	0-7%
Core property [d]	1.5%	0-12%
Private credit [d]	2.5%	0-9%
Opportunistic credit [d]	1.0%	0-5%
Multi-asset credit	6.5%	0-10%
Long-lease property [d]	2.0%	0-5%
Matching Portfolio	**75.5%**	**50-90%**
Asset backed securities	5.0%	0-10%
Corporate bonds	30.5%	20-40%
LDI [b]	38.0%	0-50%
Cash [c]	2.0%	0-5%
Total	**100.0%**	**-**

a) No restrictions on regional composition of portfolio within global developed equity markets

b) The Long-term target interest rate and inflation hedge is 100% of funded liabilities, allowing for the hedging provided by holdings within the corporate bond portfolio. As at the time of signing this document, the Trustee has agreed to target hedge of 82% of the interest rate and inflation sensitivity of the liabilities, as discounted on a Gilts +0.5% pa basis.

c) Excludes cash balances held in other portfolios

d) Denotes asset classes considered to be “illiquid”

The Trustee recognises that as at the effective date of this SIP, the Scheme’s actual allocations to the illiquid asset classes were materially above their strategic allocation weights as set out in the table above and, as a result of market movements, may exceed the control ranges noted. As part of its implementation role, SSGA will establish interim benchmark allocations (which may change over time) to move from the current to the Strategic asset allocation weights, as illiquid assets mature and/or they are sold.

The strategic currency hedge position is 50% of major, developed market overseas currencies (applied to the Scheme’s total assets), with +/- 25% range.

The Trustee has also agreed to monitor progress against its longer-term target and, when it is affordable to do so, engage with the Employer around potential de-risking steps.

4. Considerations made in determining the investment arrangements

When deciding how to invest the Scheme’s assets, the Trustee considers a number of risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each risk.

The Trustee considered a wide range of asset classes for investment, and the expected returns and risks associated with those asset classes. The key financial assumptions made by the Trustee in determining the investment arrangements are as follows (based on market conditions as at 30 June 2023):

Asset class	Expected return over gilts (% pa)	Standard deviation (% pa)
Global developed equities (50% hedge)	3.5	17.0
Private equity	4.5	28.0
Core property	1.8	12.0
Private credit	3.6	12.0
Opportunistic credit	3.8	19.0
Multi-asset credit	2.8	10.0
Long lease property	2.0	11.0
Asset-backed securities	2.3	4.0
Corporate bonds	1.1	7.6
LDI	0.0	26.0
Money market cash	0.0	0.5

As at 30 June 2023 the assumed average expected return on gilts was 4.4% pa. The assumptions are intended to be best estimate; therefore there is a 50/50 chance that the observed value will be either higher, or lower, than assumed.

The Trustee recognises that it has a responsibility to set the strategic asset allocation for the Scheme, as it alone is in a position to judge the characteristics of the Scheme and its own risk tolerance. Furthermore, the Trustee must take account of all relevant factors including the Scheme-specific funding measure introduced by the Pensions Act 2004.

In setting the strategy the Trustee also took into account:

- the Scheme's investment objectives, including the target return required to meet the Trustee's investment objectives;
- the Scheme's cash flow requirements in order to meet benefit payments in the near to medium term;
- the best interests of members and beneficiaries;
- the circumstances of the Scheme, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant;

- the risks, rewards and suitability of a wide range of possible asset classes and investment strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification between different asset classes to ensure that both the Scheme's overall level of investment risk and the balance of individual asset risks are appropriate;
- any other considerations which the Trustee considers financially material over the time horizon that the Trustee considers is needed for the funding of future benefits by the investments of the Scheme; and
- the Trustee's investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

The Trustee's key investment beliefs which influenced the setting of the investment arrangements, are as follows :

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve returns, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that do not have an expected reward should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value;
- environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors;
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find and therefore passive management, where available, can provide better value;
- long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions; and
- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

5. Implementation of the investment arrangements

Before investing in any manner, the Trustee obtains and considers proper written advice from its Strategic Investment Consultant on the question of whether the investment strategy decision is satisfactory, having regard to the need for suitable and appropriately diversified investments.

The GE CIF Trustee has signed agreements with the investment managers, setting out in detail the terms on which the portfolios are to be managed. The restrictions included in these investment agreements vary by investment manager. Examples of restrictions, however, include limits on borrowing and limits on investing in cash.

In addition, no direct investment is permitted in securities issued by the Employer, or by any other related company, investment in which would imply "self-investment".

The investment manager arrangements are unitised within the GE CIF and the Scheme will invest in these units rather than invest directly with the managers. SSGA is responsible for allocating to the GE CIF units, to implement the desired strategic allocation within the agreed control ranges.

The investment managers' primary role is the day-to-day investment management of the GE CIF's (including the Scheme's) investments.

The Trustee and Fiduciary Manager have limited influence over managers' investment practices where the Scheme's assets are held in pooled funds, but they encourage the underlying managers to improve their practices where appropriate. The Trustee, with the help of the Fiduciary Manager, also considers the practises outlined below with respect to the direct investments in the portfolio (LDI, property, long-lease property, asset-backed securities, private credit and private equity).

The Trustee's view is that the fees paid to the Fiduciary Manager and the underlying investment managers, and the possibility of their mandates being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the funds. However, in practice the underlying managers cannot fully align their strategies and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility, with help from the Fiduciary Manager, to ensure that the underlying managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects the Fiduciary Manager to ensure that underlying investment managers, where appropriate, make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and engage with issuers to improve their performance. Where the Scheme holds passive investments and investment decisions are based on tracking an index, engagement is the primary tool for improving performance. The Trustee and Fiduciary Manager assess this when selecting and monitoring underlying managers.

The Trustee evaluates performance of the Fiduciary Manager and its underlying investment managers by considering performance over both shorter and longer-term periods as available. The duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustee's policy is to evaluate each of its investment managers, with the help of the Fiduciary Manager, by reference to the investment manager's individual performance as well as the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. The Fiduciary Manager and its underlying managers' remuneration, and the value for money they provide, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the Fiduciary Manager and the underlying investment managers. The Trustee expects the Fiduciary Manager to consider portfolio turnover and resulting transaction costs as appropriate in the activities carried out on behalf of the Trustee.

6. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Scheme within the portfolios that they manage, and in considerations relating to the liquidity of investments.

When appropriate, the Trustee, on the administrators' recommendation, decides on the amount of cash required for benefit payments and other outgoings and informs the Fiduciary Manager of any liquidity requirements. The Fiduciary Manager has discretion on how such assets are sourced, within the constraints of this document and the Fiduciary Management Agreement. The Trustee's preference is for investments that are readily realisable, but it recognises that achieving a well-diversified portfolio may mean holding some investments that are less liquid (eg property and private credit). SSGA, in their capacity as Fiduciary Manager to the Scheme, will ensure that a sufficient amount of cash is held back to meet benefit payments and for ongoing operation of the Scheme.

7. Consideration of financially material and non-financial matters

The Trustee has considered how environmental, social and governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments given the time horizon of the Scheme and its members.

The GE CIF Trustee is responsible for selecting the Fiduciary Investment Managers, SSGA and SSGA FM (the Alternatives Fiduciary Manager), which in turn are responsible for selecting the underlying investment managers.

The Trustee expects the Fiduciary Managers to ensure its underlying investment managers take account of financially material considerations (including climate change and other ESG considerations). The Trustee seeks to invest with managers that have appropriate skills and processes to do this, and from time to time reviews, with help from the Fiduciary Manager, how its underlying managers are taking account of these issues in practice. The Trustee and Fiduciary Manager have limited influence over managers' investment practices where assets are held in pooled funds, but encourage managers to improve their practices where appropriate.

The Trustee does not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

8. Voting and engagement

The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as reported to the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries. The Trustee and

Fiduciary Manager have limited influence over managers' stewardship practices where assets are held in pooled funds, but encourage managers to improve their practices where appropriate.

The Trustee has selected some priority themes to provide a focus for the monitoring of its investment managers' voting and engagement activities. The Trustee current priorities are: climate change, human rights and corporate transparency.

The Trustee chose these priorities because they are market-wide areas of risk that are financially material for the investments and can be addressed by good stewardship. Therefore we believe it is in our members' best interests that our managers adopt strong practices in these areas.

SIP signed for and on behalf of the Trustee of the Scheme:

Signed:

Date:

SIP signed on behalf of the Employer:

General Electric

Signed:

Date:

SIP signed on behalf of the Guarantor:

GEH Holdings

Signed:

Date:

Responsibilities, decision-making and fees

1. Governance

The Trustee has agreed to participate in the GE CIF and is satisfied that it can achieve its own investment objective through these investments. Participation in and operation of the GE CIF is kept under regular review by the Trustee.

The Trustee takes some decisions itself and delegates others. For example, the Trustee has decided to delegate the strategy implementation process to the GE CIF Trustee, in conjunction with State Street Global Advisers as the Fiduciary Manager and SSGA Funds Management, Inc. as the Alternatives Fiduciary Manager, on a discretionary basis.

When deciding which decisions to take and which to delegate, the Trustee has taken into account whether it has appropriate training and expert advice in order to take an informed decision. The following decision making structure has been established:

2. Trustee

- Develop a mutual understanding of investment and risk issues with the employer.
- Appoint (and, when necessary, dismiss), the Strategic Investment Consultant, Scheme Actuary, Fiduciary Manager and Alternatives Fiduciary Manager, and other service providers.
- Set structures and processes for carrying out its role including establishment of relevant committees and other effective governance arrangements, documenting these in a suitable form.
- Establish investment objectives for the Scheme.
- Select and monitor asset allocation based on the Scheme's investment objectives.
- Formulate a policy in relation to financially material considerations, such as those relating to ESG considerations (including but not limited to climate change).
- Formulate a policy on socially responsible investment issues, exercise of rights (including voting rights) and undertaking engagement activities in respect of the investments.
- Consider recommendations from the GE CIF Trustee.
- Consider the asset mix of units offered by the GE CIF and ensure that this meets the Scheme’s needs.
- Set the policy for rebalancing between asset classes.
- Monitor the effectiveness of the GE CIF.
- Maintain the Scheme’s Statement of Investment Principles.
- Communicate with members as appropriate on investment matters.

The Trustee has delegated consideration of certain investment matters to a funding and investment committee (“FIC”), although any decisions remain the responsibility of the Trustee. The terms of Business for the FIC detail clearly its responsibilities.

3. Strategic Investment Consultant

- Advise the Trustee on the Scheme’s investment objectives and asset allocation.
- Advise on Journey planning, including:

  - setting a long term target and timescales to reach this; and
  - devising a monitoring mechanism for achieving this target over time.
- Reviewing the investment strategy of the Scheme, including:
  - the interaction with funding and covenant;
  - suitable levels of risk and return; and
  - strategic liability hedging levels.
- Assist with the development and monitoring of the integrated risk management plan.
- Monitor progress against Journey plan.
- To assist the Trustee in understanding the magnitude of longevity risk and mitigation options.
- High level cashflow management.
- Fiduciary Manager oversight.
- Independent risk monitoring (as required).
- Review Trustee's governance framework including best practice highlighted in TPR guidance.
- Assist Trustee with standard regulatory requirements, eg updating this Statement of Investment Principles.
- Attend Funding & Investment Committee meetings, Strategy Days and some Trustee Board meetings (as required).
- Review and monitoring of AVCs.
- Provide training to the Trustee, to the extent they are qualified.

The Trustee has agreed Terms of Business with the Scheme's Strategic Investment Consultant.

4. Fiduciary Manager (and Alternatives Fiduciary Manager)

4.1. Services to the Trustee

- Implement and monitor asset allocation for the Scheme, including tactical asset allocation tilts.
- Implement market positioning views (tactical tilts).
- Executing the Journey plan.
- Portfolio rebalancing and liquidity management.
- Performance (and risk) monitoring.
- Monthly and quarterly reporting.
- Provide training to the Trustee, to the extent they are qualified.

The Fiduciary Manager and Alternatives Fiduciary Manager shall be paid compensation for services as set out in the Fiduciary Management Agreement.

4.2. Services to the GE CIF Trustee

- Advise the GE CIF Trustee on all aspects of investing the GE CIF's assets, including implementation.

- Determine the structure for implementing the strategy of each GE CIF unit.
- Select and monitor asset allocation within the units.
- Select and monitor investments of the GE CIF.
- Select and monitor managers managing investments of the GE CIF.
- Select, implement and monitor any hedges, including derivatives overlays.
- Make ongoing decisions relevant to the operations of the units, as delegated by the GE CIF Trustee.
- Ensure that the mandates of the various managers it hires have appropriate restrictions on self investment.
- Advise the GE CIF Trustee on the suitability of the indices in the unit's benchmarks.
- Provide required training to the GE CIF Trustee, to the extent
- they are qualified.

5. GE CIF Trustee

- Select the Fiduciary Manager (and the Alternatives Fiduciary Manager) for the GE CIF Trustee, the custodian(s) and performance measurer.
- Hire such other investments advisers / managers as they see fit.
- Monitor discretionary investment advisers / managers, custodian(s) and performance measurer.
- Approve the establishment or removal of units.
- Make ongoing decisions relevant to the operational principles of the units.
- Inform the Trustee of any amendments to the GE CIF Prospectus.
- Make decisions regarding responsible ownership, in line with policies from the Trustee.
- Report to the Trustee on a regular basis regarding performance and compliance with any relevant investment guidelines and restrictions.

6. GE CIF Investment Managers

- Operate within the terms of their individual written contracts.
- Select individual investments with regard to their suitability and diversification characteristics.
- Advise the Fiduciary Manager (or the Alternatives Fiduciary Manager) on the suitability of the indices in the manager's benchmark.

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where responsibility for the investment is retained by the Trustee eg the purchase of an insurance policy or AVC contract. 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. In respect of direct investments the Trustee obtains written advice and considers delegated management of these investments to the fund manager(s).

The written advice will consider the suitability of the investments, the need for diversification and 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). The Trustee's Strategic Investment Consultant has the knowledge and experience required under the Pensions Act 1995.

Policy towards risk, risk measurement and risk management

Risk appetite and risk capacity

The Trustee regards 'risk' as the likelihood of failing to achieve the objectives set out in Section 2. Risk appetite is a measure of how much risk the Trustee is willing to bear within the Scheme in order to meet its investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action. Risk capacity is a measure of the extent to which the Trustee can tolerate deviation from its long-term objectives before attainment of those objectives is seriously impaired. The Trustee aim is to strike the right balance between risk appetite and risk capacity.

When assessing the risk appetite and risk capacity, the Trustee considered a range of qualitative and quantitative factors, including the following.

- The Trustee's willingness to take on investment risk is dependent on the continuing financial strength of the Employer and its willingness to contribute to the Scheme. The strength of the Employer and its perceived commitment to the Scheme is monitored by the Trustee and the amount of risk the Trustee is willing to take will be reduced if either of these deteriorates.
- The degree of investment risk taken will also depend on the Scheme's funding status and liability profile. The Trustee will monitor these with a view to altering the Scheme objectives and risk tolerances if there is a change in either.
- The target level of risk has been set based on assumptions regarding the expected relative returns and volatility of the asset classes (see Section 4), the liabilities and the objectives of the Trustee and Employers. The behaviour of investment markets changes over time. The Trustee monitors this behaviour with help from their Strategic Investment Consultants to gauge whether the underlying assumptions should be updated and consequential changes made to the investment strategy.
- The Trustee recognises a number of risks involved in the investment of the assets of the Scheme. The Trustee's general risk management process is to measure and monitor these risks, with appropriate management action being taken in the event that any issues are identified.

For the Scheme's proposed target investment strategy, as at 30 June 2023, the 1 year 95% Value at Risk was estimated to be around £165m on the gilts + 0.5% pa liability basis. This means that there is estimated to be a 1 in 20 chance that the Scheme's funding position will worsen by £165m or more, compared to the expected position, due to investment factors, over a one year period. When deciding on the current investment strategy, the Trustee believed this level of risk to be appropriate given the Trustee's and Employer's risk appetite and capacity, and given the Scheme's objectives.

Approach to managing and monitoring investment risks

The Trustee considers that there are a number of different types of investment risk that are important to manage and monitor. These include, but are not limited to:

1. Strategic risk

- This is the risk that the performance of the Scheme's assets and liabilities diverges in certain financial and economic conditions. This risk has been taken into account in the Trustee's investment strategy review, and will be monitored by the Trustee on a regular basis. Strategic risks are:
  - measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies; and
  - managed through assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

2. Risk of inadequate returns

A key objective of the Trustee is that, over the long-term, the Scheme should have adequate assets to meet its liabilities as they fall due. The Trustee therefore invests the assets of the Scheme to produce a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Scheme's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been taken into account in setting the investment strategy and is monitored by the Trustee on a regular basis.

3. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Scheme's assets. The Trustee believes that the Scheme's assets are adequately diversified between different asset classes and within each asset class. This was key consideration when determining the Scheme's investment strategy.

4. Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. The GE CIF Trustee is responsible for selecting the Fiduciary Manager and Alternatives Fiduciary Manager, SSGA and SSGA FM, which in turn are responsible for selection the underlying investment managers. The Trustee will monitor the effectiveness of the GE CIF Trustee (and the Fiduciary Manager and Alternatives Fiduciary Manager) at choosing managers.

5. Liquidity/marketability risk

This is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due. The Trustee is aware of the Scheme's cash flow requirements and believes that this risk is managed by maintaining an appropriate degree of liquidity across the Scheme's investments.

6. Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Scheme's investments, some of which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately on its behalf and from time to time reviews how these risks are being managed in practice.

7. Collateral adequacy risk

The Scheme is invested in leveraged Liability Driven Investment ("LDI") arrangements to provide protection ("hedging") against adverse changes in interest rates and inflation expectations. The LDI manager may from time to time call for additional cash to be paid to the LDI portfolio in order to support a given level of leverage. Collateral adequacy risk is the risk that the Trustee when requested to do so will not be able to post additional cash to the LDI fund within the required timeframe. A potential consequence of this risk is that the Scheme's interest rate and inflation hedging could be reduced and that the Scheme's funding level could suffer subsequently as a result. In order to manage this risk, the Trustee ensures that the Scheme has a sufficient allocation to cash and other highly liquid assets which can be readily realised, so that cash can be posted to the LDI manager at short notice.

8. Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

9. Currency risk

Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy, and believes that the currency exposure that exists diversifies the strategy and is appropriate.

10. Interest rate and inflation risk

The Scheme's assets are subject to interest rate and inflation risk because some of the Scheme's assets are held in bonds. However, the interest rate and inflation exposure of the Scheme's assets hedges part of the corresponding risks associated with the Scheme's liabilities. The net effect will be to reduce the volatility of the funding level, and so the Trustee believes that it is appropriate to have exposures to these risks in this manner.

11. Other non-investment risks

The Trustee recognises that there are other, non-investment, risks faced by the Scheme, and takes these into consideration as far as practical in setting the Scheme's investment arrangements.

Examples include:

- longevity risk (the risk that members live, on average, longer than expected); and
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Scheme's funding position falls below what is considered an appropriate level. By understanding and considering the key risks that contribute to funding risk, the Trustee believes that it has appropriately addressed and is positioned to manage this general risk.

Additional Voluntary Contributions ("AVCs")

Three providers are employed to manage the assets of the Scheme's external AVC arrangements. The AVC policy with Aviva gives access to BlackRock, HSBC, Legal & General Investment Management ("LGIM"), Schroder Investment Management ("Schroder"), and BNY Mellon Investment Management ("BNY Mellon") whilst the Utmost Life (previously Equitable Life) contract is managed by JP Morgan. The Trustee also has a contract with Standard Life. Details of the mandates are shown below.

Manager	Mandate
BlackRock	Cash
BlackRock	Index linked gilts index tracking
BlackRock	Equity index tracking funds
BlackRock	Diversified growth fund (ALMA)
HSBC	Islamic global equity index fund
LGIM	Low carbon transition global equity funds (currency hedged and unhedged funds in use)
Schroder	Diversified Growth Fund (investing in a wide range of asset classes including shares, high yield bonds, property, commodities and cash)
BNY Mellon	Global dynamic bonds
Utmost Life	Range of unit-linked funds
Standard Life	Range of unit-linked funds
Standard Life	With Profits

The Scheme has several additional in-house money purchase AVC facilities which were historically offered to members but are no longer available to new contributors. These facilities have differing benefit structures. For example, one facility has a guaranteed 2.5% per annum minimum investment return, with the potential for discretionary returns in addition to this, whilst another facility offers returns in-line with CPI each year capped at 5% per annum. These AVCs are invested with the main Scheme assets.

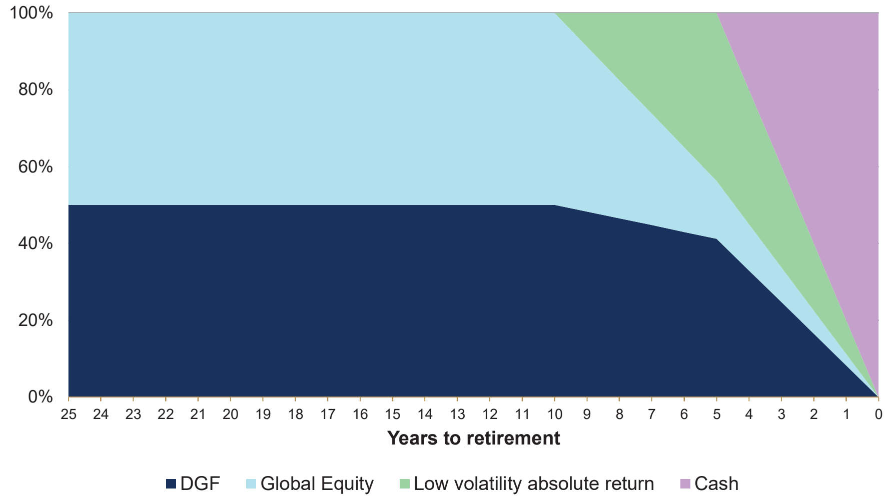
A full review of both the internal and external AVC arrangements was conducted in 2021.

AVC Lifestyle investment strategy

The Trustee, with help from its Strategic Investment Consultant, reviewed the lifestyle strategy in February 2015 and agreed to change this strategy so that it now targets cash at retirement.

The progression of the lifestyle strategy is shown in the chart below.

Proposed lifestyle strategy



Following a review in June 2021, the Trustee agreed to change the global equity funds underlying the Lifestyle strategy to include a low-carbon approach, but made no changes to the strategic asset allocation as shown above.

Performance objectives of AVCs

A set of measurable objectives has been developed for the investment managers' funds, which are shown below.

BlackRock Global Equity (50:50) Index Fund

The objective of the BlackRock Global Equity (50:50) Index fund is to provide returns in line with a composite benchmark of:

Index	Proportion
FTSE All-Share Index	50.0%
FTSE All-World US Index	16.7%
FTSE All-World Developed Europe (ex UK) Index	16.7%
FTSE All World Japan Index	8.3%
FTSE All-World Developed Asia Pacific ex Japan	8.3%

The fund aims to maintain a target tracking error over rolling three year periods of +/- 0.4% pa.

BlackRock Global Equity (30:70) Index Fund (currency hedged)

The objective of the BlackRock Global Equity (30:70) Index (currency hedged) fund is to provide returns broadly in line with a composite benchmark of:

Index	Proportion
FTSE All-Share Index	30.0%
FTSE Custom Developed Index*	60.0%
MSCI Emerging Markets index	10.0%

*FTSE Custom Developed ex UK Canada, Israel and S Korea Net Tax (UK Pension) 95% Hedged to GBP Index.

BlackRock Institutional Sterling Liquidity Fund

The objective of the BlackRock Institutional Sterling Liquidity Fund is to maximise current income, consistent with preservation of principal and liquidity, by the maintenance of a portfolio of high quality short term money market investments.

BlackRock Over 5 Year Index-Linked Gilt Index Fund

The objective of the BlackRock Over 5 Year Index-linked Gilt fund is to perform in line with the FTSE A Index Linked Gilts (Over 5 Years) Index. The fund aims to maintain a tracking error over rolling three year periods of +/- 0.2%.

HSBC Islamic Global Equity Index Fund

The objective of the HSBC Islamic Global Equity Index Fund is to invest in a diversified portfolio of global securities that meet Islamic investment principles as interpreted and laid down by the Shariah Committee. The fund tracks the Dow Jones Islamic Market Global Titans 100 Index which is Shariah compliant.

LGIM Low Carbon Transition Global Equity Fund

The investment objective of the fund is to track the performance of the Solactive L&G Low Carbon Transition Global Index (less withholding tax where applicable) to within +/-0.60% p.a. for two years out of three.

The Scheme offers both the currency hedged and unhedged versions of this fund to members.

Schroder Diversified Growth Fund

The objective of the Schroder Diversified Growth fund is to deliver a medium-term growth with a target of RPI plus 5% pa over five to seven years.

The fund aims to achieve the above target with less volatility than a portfolio dominated by shares.

BlackRock ALMA Fund (Diversified growth)

The objective of the BlackRock ALMA Fund is to achieve returns that are 3.5% pa in excess of LIBOR, but with 60% of the volatility of equity markets.

BlackRock aims to have a diverse exposure to the major asset classes and constructs the portfolio using a largely quantitative process based on risk factors that it has identified. In this way, BlackRock's focus is on risk allocation and its model identifies the optimal allocation of the risks inherent. The ALMA strategy does not use any leverage to achieve its positions or to boost expected returns.

BNY Mellon Global Dynamic Bond Fund

The objective of the BNY Mellon Global Dynamic Bond Fund is to outperform the 1 month GBP LIBOR by 2% pa (before the deduction of fees), over five years. The Fund aims to maximise the total return from income and capital growth, through a globally diversified portfolio of predominantly higher yielding corporate and government fixed-interest securities.