GE Aerospace Pension Plan

Statement of Investment Principles

Plan Investment Objective

The Trustee of the GE Aerospace Pension Plan (the "Plan") aims to invest the assets of the Plan prudently to ensure that the benefits promised to members of the Plan are provided whilst also maximizing the excess surplus.

INTRODUCTION

This Statement of Investment Principles ("Statement") sets out the principles governing the investment of the Plan's assets. This Statement has been produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect with the Government's Voluntary code of conduct for Institutional Investment in the UK.

The Trustee has appointed Aon as its Strategic Investment Advisor from whom it takes advice on setting the investment strategy and all other investment related strategic work.

The Trustee will review this Statement of Investment Principles at least every three years and immediately following any significant change in investment policy. The Trustee takes advice from a suitably qualified person in preparing and updating this Statement and consults with the principal employer, GEH Holdings ("the Company").

STRATEGY

The strategic investment objectives in relation to the investment strategy of the Plan are to:

- maintain a funding level of at least 110% on the Self Sufficiency Basis (as agreed between Trustee and Company), to ensure that member benefits are secure; and
- maximise the Excess Surplus (as agreed between Trustee and Company) in the Plan.

The intention is to achieve these strategic investment objectives by adopting an investment strategy that is expected to:

a) have a very low risk of the assets falling below the value of the liabilities on the Self Sufficiency Basis; and

b) deliver an investment return of at least gilts plus 1.5% per annum.

The Trustee targets a 110% hedge as a percentage of the Plan's "Gilts plus 0.5%" self-sufficiency liabilities, excluding expenses but including discretionary inflation linked pension increases.

Action if strategic investment objectives are unlikely to be achieved

It is recognised there can be no guarantee that the investment strategy will achieve its target return. For example, exceptional market circumstances may change in a way that seriously impacts the funding of the Plan to the extent that it becomes unlikely that the existing investment strategy will deliver the strategic investment objectives.

If this were to happen, the investment strategy will be reviewed with the aim of agreeing a revised investment strategy to get the Plan back on a path to deliver the strategic investment objectives as soon as is practicable.

This may include consideration of investment strategies with a relatively high target return (which would almost certainly involve a significant increase in the level of investment risk). If needing to consider such investment strategies, the Trustee will recognise that the security of member benefits comes not only from the funding position of the Plan, but also the strength of the covenant provided by the current DB participating employers and the funding guarantee in respect of the GEAPP as set out in the amendment and restatement deed dated 22 September 2009 between the Company and I.G.E. (USA) Pension Trustees Limited in its capacity as the then trustee of the GEAPP and the deed of amendment and novation between General Electric Company, the Trustee and I.G.E. (USA) Pension Trustees Limited in its capacity as the former trustee of the GEAPP dated 10 July 2020 in respect of the GEAPP ("the **Guarantee**").

If the covenant is strong enough to support the increased investment risk, with the covenant to be assessed by the Trustee in a manner that is consistent with the employer resources test set out in section 38E of the Pension Act 2004 and takes account of the Guarantee, such that members' benefits would remain secure even if the funding of the Plan deteriorates, any increase in investment risk is then borne by the Company.

Therefore, if the Company proposes a move to a higher risk investment strategy for the purposes of delivering the strategic investment objectives, then it is expected that the Trustee will agree to this, provided the Trustee is satisfied the covenant taking account of the Guarantee is strong enough to support that higher risk and that this is consistent with the Regulatory requirements at that time.

IMPLEMENTATION

The Trustee has delegated the implementation of the agreed strategy to State Street Investment Managers ("SSIM"), its Fiduciary Manager on a discretionary basis.

Investment exposure is gained through the purchase of units in the GE UK Common Investment Fund ("the CIF"). The Plan may also use other liability matching instruments.

The strategic target split between the various CIF units is determined by the Trustee following advice from Aon, the Trustee's Strategic Investment Advisor. The split between the various asset classes is kept under regular review.

The Trustee takes into account the asset allocation strategy within the CIF units when deciding whether to invest in each unit. However, the CIF Trustee and its advisors are responsible for setting the strategy within each CIF unit. The objectives of each CIF unit are discussed in the GE UK Common Investment Fund Investment Prospectus.

RISK

The Trustee recognises that the key risk to the Plan is that it has insufficient assets to make provisions for all its liabilities (“funding risk”). The Trustee has identified several risks which have the potential to cause deterioration in the Plan’s funding level and maintains a risk register covering investment risks. The Trustee monitors the Value at Risk of the Plan on a regular basis.

Key risks identified are as follows:

- The risk that investments do not generate sufficient returns relative to liabilities to maintain the funding level of the Plan (“**investment risk**”). The Trustee receives regular monitoring reports from SSIM alongside Aon its investment advisor to mitigate this risk.
- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors (“**mismatching risk**”). The Trustee took advice from its Strategic Investment Adviser on this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Plan’s immediate liabilities (“**cash flow risk**”). The Trustee and its advisers will manage the Plan’s cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure to spread investment risk (“**risk of lack of diversification**”). The Trustee took advice from its Strategic Investment Advisor on this risk when setting the Plan’s investment strategy.
- The possibility of failure of the Plan’s sponsoring employer (“**covenant risk**”). The Trustee took account of its assessment of the covenant risk when setting investment strategy.
- The risk of fraud, poor advice or acts of negligence (“**operational risk**”). The Trustee and the CIF Trustee have sought to minimize such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable provisions are included in all contracts for professional services received.
- The risk of having insufficient collateral within the investment strategy to meet investment obligations (“**liquidity risk**”). This risk is monitored at both the investment manager level by the LDI manager and within the IRM report.
- The risk that climate-related physical and transition factors negatively impact the value of investments and long-term funding outcomes (“**climate risk**”). This risk is monitored and mitigated through the TCFD (Taskforce on Climate-related Financial Disclosure) report the Plan carries out on an annual basis.

Additional risks are also considered within the CIF prospectus and these should be considered in conjunction with those listed above.

GOVERNANCE

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

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

The following decision-making structure has been established:

Trustee

- Selects and monitors all investment advisors to the Trustee.
- Sets structures and processes for carrying out its role including establishment of relevant committees.
- Establishes investment objectives for the Plan.
- Selects and monitors asset allocation based on the Plan's investment objectives.
- Determine any strategic hedging policies.
- Considers recommendations from the CIF Trustee.
- Considers the asset mix of units offered by the CIF and ensure that this meets the Plan’s needs.
- Decisions regarding responsible ownership are delegated to the CIF Trustee.
- Monitors the effectiveness of the CIF.
- Maintains this Statement.

Strategic Investment Advisor

- Reviews the Plan's investment strategy.
- Advises on strategic interest rate and inflation hedging levels.
- Designs flight plan and triggers
- Independent risk monitoring
- Assists Trustee on Integrated Risk Management
- Assists with standard regulatory requirements
- Liquidity analysis and long-term cash requirements
- Reviews Trustee's governance framework
- Assists Trustee on investment proposals from the Fiduciary Manager which deviate from the strategy
- Advises on this Statement
- Provides training to the Trustee

Fiduciary Manager to the Trustee

- Implements and monitors asset allocation for the Plan, including tactical asset allocation tilts.
- Selects, implements and monitors any hedges, including derivatives overlays.
- Advises the Trustee on implementing the Plan’s asset strategy.
- Provides training to the Trustee, to the extent it is qualified.

ARRANGEMENTS WITH ASSET MANAGERS

The Trustee considers its Fiduciary Manager to be its asset manager. References in this policy to 'underlying asset managers' refers to those asset managers which SSIM in turn appoints to manage investments on behalf of the Trustee.

The Trustee recognises that the arrangements with its Fiduciary Manager, and correspondingly the underlying asset managers, are important to ensure that interests are aligned. In particular, the Trustee seeks to ensure that the Fiduciary Manager is incentivised to operate in a manner that generates the best long-term results for the Plan and its beneficiaries, and that the Fiduciary Manager is aware of, and aligned with, the Trustee's policies and the Plan's investment objectives.

To this end, the Trustee receives quarterly reports and verbal updates from the Fiduciary Manager on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan's long-term objectives and assesses the Fiduciary Manager over 3-year periods.

The Trustee also receives stewardship reports on the monitoring and engagement activities carried out by its Fiduciary Manager, which supports the Trustee in determining the extent to which the Plan's engagement policy has been followed throughout the year. Further detail on the Trustee's engagement policy is contained in the "Stewardship – Voting and Engagement" section".

The Trustee shares its policies, as set out in this Statement, with the Plan's Fiduciary Manager and requests that it reviews and confirm whether its approach is in alignment with the Trustee's policies.

The Trustee of the CIF are responsible for reviewing whether the managers are meeting the Trustee's expectations and providing an annual update to the Trustee for all delegated responsibilities in this regard.

Monitoring

The Trustee delegates the ongoing monitoring of underlying asset managers to the Fiduciary Manager. The Fiduciary Manager monitors the Plan's investments to consider the extent to which the investment strategy and decisions of the underlying asset managers are aligned with the investment objectives of the Plan.

This includes monitoring the extent to which the underlying asset managers:

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

The Trustee believes that having appropriate governing documentation, setting clear expectations to the Fiduciary Manager, and regular monitoring of the Fiduciary Manager's performance and investment strategy, is sufficient to incentivise the Fiduciary Manager 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. The Trustee does not typically monitor the Fiduciary Manager against non-financial criteria of the investments made on the Plan's behalf.

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

Term of asset management arrangements

There is no set term for arrangements with the Fiduciary Manager, although the continued appointment will be reviewed periodically. Similarly, there are no set durations for arrangements with the underlying asset managers that the Fiduciary Manager invests in, although this is regularly reviewed as part of the portfolio management processes in place and by the Trustee's investment objectives. For certain closed ended vehicles, the duration may be defined by the nature of the underlying investments.

RESPONSIBLE INVESTING AND ESG

The Trustee recognises its responsibility as an institutional investor to invest responsibly, and to support and encourage good corporate governance practices in the companies in which it invests. The Trustee considers that good corporate governance can contribute to business prosperity by encouraging accountability between boards, shareholders and other stakeholders. Good corporate governance also plays a major role in encouraging corporate responsibility to shareholders, employees and wider society. Lack of good governance interferes with a company’s ability to function effectively and is a threat to the Plan's financial interest in that company.

The Trustee further acknowledges that an understanding and consideration of environmental, social and corporate governance (ESG) issues can contribute to the identification of investment opportunities and material risks. This includes the risk that ESG factors, including climate change, could negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from its investment adviser when setting the Plan’s asset allocation, receiving updates from its Fiduciary Manager, and when monitoring performance.

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 this creates long-term financial value for the Plan and its beneficiaries.

The Trustee expects the CIF, The Fiduciary Manager and the underlying fund managers to:

- Ensure that (where appropriate) underlying asset managers exercise the Trustee’s voting rights in relation to the Plan’s assets;
- take into account social, environmental and corporate governance considerations in the selection, retention and realisation of investments; and
- Report to the Trustee on stewardship activities undertaken by underlying asset managers as required

The Trustee receives annual reports on stewardship activity carried out by its Fiduciary Manager. These reports include voting and engagement information. Where possible, the transparency provided relating to the exercise of voting rights should include voting actions and rationale with relevance to the Plan, in particular where: votes were cast against management; votes against management generally were significant; or where votes were abstained.

Any voting and engagement decision should not apply ethical judgments to these issues but should consider the sustainability of business models that are influenced by them.

If monitoring reveals that an investment manager’s voting or engagement policies, or its stewardship actions are not aligned with the Trustee’s expectations, the Trustee will engage with the manager, to seek a more sustainable position, but it may look to replace the manager.

Members' Views and Non-Financial Factors

In setting and implementing the Plan’s investment strategy, the Trustee does not explicitly take into account the views of Plan 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 the 2018 Regulations).

Cost Monitoring

The Trustee is aware of the importance of monitoring its asset managers' total costs and the impact these costs can have on the overall value of the Plan's assets. The Trustee recognises that, in addition to annual management charges, there are other costs incurred by the Plan's underlying asset managers that can increase the overall investment costs.

The Trustee of the Plan receives information regarding cost transparency from the Trustee of the CIF.

The Trustee of the CIF receives cost transparency reports relating to the underlying asset managers, with assistance from the Fiduciary Manager. These reports set out:

- The total amount of investment costs incurred by the Plan;
- The fees paid to the Fiduciary manager;
- The fees paid to the investment managers appointed by the Fiduciary Manager;
- The amount of portfolio turnover costs (transaction costs) incurred by the investment managers appointed by the Fiduciary Manager'
- *The Trustee defines portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the investment managers appointed by the Fiduciary Manager;*
- Any charges incurred through the use of pooled funds (custody, administration, and audit fees)
- The impact of costs on the investment return achieved by the Plan.

The Trustee acknowledges that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager. The Fiduciary Manager monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all underlying investment managers appointed on behalf of the Trustee.

Evaluation of performance and remuneration:

The Trustee assesses the (net of all costs) performance of its Fiduciary Manager on a rolling three-year basis against the Plan's specific liability benchmark and investment objective. The Trustee monitors investment costs and performance trends over time.

DIRECT INVESTMENTS

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 Plan Trustee e.g. 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. 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 investment advisors have the knowledge and experience required under the Pensions Act 1995.

Agreed and approved on 30 June 2026 by the Trustee of the GE Aerospace Pension Plan with Company consultation.

Appendix Asset Breakdown

The below table sets out the Strategic investment allocation and associated control ranges.

The strategic target below accounts for the transition of the Plan's private market assets over time. The Trustee will provide SSIM with an appropriate benchmark for them to manage to and be measured against.

Asset Class	Target (%)	Control Ranges (%)	Sub asset Class (via CIF units)	Sub asset class Target (%)	Sub asset class Control Ranges (%)
Equities	10.0	0 – 20	Global Equity	10.0	0 – 20
Property	7.5	0 - 15	Long Lease Property	7.5	0 – 15
Private Credit	8.5	0 – 15	Private Credit	8.5	0 - 15
Illiquid Growth	8.0	0 - 15	Private Equity	8.0	0 – 15
			Infrastructure	0.0	0 – 3
Investment Grade Credit	14.0	0 - 20	Long dated Fixed Interest Bond	5.0	0 – 10
			Short dated IG Credit	9.0	0 – 15
Non-Investment Grade Credit	1.0	0 – 5	Multi Asset Credit Alternative Credit	1.0	0 – 5
Absolute Return	0.0	0 – 5	Hedge Fund	0.0	0 – 5
LDI & Cash	51.0	35 -75	GEAPP LDI	49 .0	35– 75
			Cash	2.0	0 – 10
Other	0	0 -15	Other growth assets (as and when opportunities arise)	0.0	0 – 5

It is the Trustee's policy to review and monitor on a regular basis that the Fiduciary Manager is maintaining the allocation within control ranges set.

The targets and control ranges are intended to reflect how Plan assets should be invested and maintained under normal conditions. They are not intended to constitute limits or obligations for which strict adherence is required especially when market movements or other events beyond the Fiduciary Manager's control may cause actual allocations to move outside the control ranges.

The Fiduciary Manager should consider transaction costs when rebalancing or otherwise shifting the asset allocation and, where possible, try to minimize such transaction costs.

The table below sets out the target hedge ratio and control ranges, relative to its investable cashflow benchmark:

Hedged Risk	Target (%)	Control Ranges (%)
Interest Rates	110.0	105-115
Inflation	110.0	105-115
Currency	0	0 – 70 (a)

(a) excluding fund investments already hedged to GBP, such as Hedge Funds and Alternative Credit accounts/funds.

There are many characteristics of the scheme liabilities that cannot be replicated with investable gilt-related instruments, including – caps and floors to pension increases; pension increases linked to CPI not RPI; very long duration liabilities. In addition, the liability cashflows will change because of changes in membership, and changes in actuarial assumptions, particularly mortality. These differences may mean that the hedging diverges from the Plan actual liabilities. To mitigate this risk the cashflow benchmark will be recalculated annually and may be reviewed more frequently if circumstances warrant.