Nestlé UK Pension Fund – DC Section

Annual statement regarding governance of the DC sections of the Fund

For the year ending 31 December 2021

1 Introduction

This statement has been prepared by Nestlé UK Pension Fund Trustee Limited (the "Trustee") of the Nestlé UK Pension Fund (the "Fund") in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations ("the Administration Regulations") 1996 (as amended). The content of the statement is set out in pensions law, but we hope you find it useful.

The statement describes how the Trustee has met the statutory governance standards in relation to:

- the default investment arrangements in the DC Start and DC Core sections;
- requirements for processing DC financial transactions;
- assessment of charges and transaction costs that apply to the investment funds in the DC sections;
- the requirement for trustee knowledge and understanding between 1 January 2021 and 31 December 2021 (the "Fund Year").

The Trustee has a Defined Contribution Committee ("DCC") that meets each quarter to ensure that enough time is spent running the Fund properly and with the appropriate level of governance. The DCC meetings over the Fund Year were on 23 February 2021, 25 May 2021, 24 August 2021 and 23 November 2021.

The DCC then formally reports back to the full Trustee Board at quarterly meetings throughout the year, which took place on 11 March 2021, 8 June 2021, 1 September 2021 and 29 November 2021.

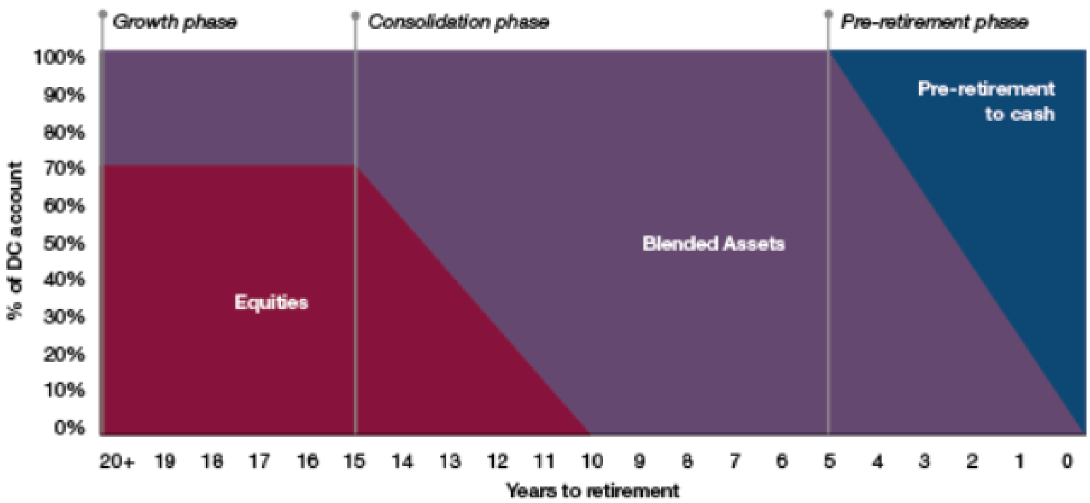
The DCC has helped to ensure that the Trustee has met the statutory governance standards required over the Fund Year. Hymans Robertson are the appointed DC investment adviser and attend the DCC meetings each quarter.
Nestlé Pensions are the administrators of the Fund. Fidelity provide the investment platform.

This statement will be uploaded to www.nestlepensions.co.uk to provide access to members.

2 Default DC investment arrangements

Members of DC Core can choose which investment funds their money is invested in from a range of options. DC Core members who do not make a choice, and all DC Start members, are invested in the Lifetime Pathway fund – the default DC investment arrangement (for the purposes of the Administration Regulations).

The Lifetime Pathway Fund has been in place since August 2017. The Lifetime Pathway Fund invests contributions in different types of assets according to how far each member is from retirement. Underlying investments are switched from those which are expected to be higher risk growth-like assets to investments which are anticipated to be more stable investments and eventually into cash over a 15-year period before retirement.



The Trustee undertook a full investment strategy review over 2020 and 2021 which considered the allocations and funds that underlie the Lifetime Pathway Fund. As a result of this review, the Trustee has made some changes to the underlying funds within the Blended Assets Fund. Further information on this can be found in the section 2.2 of this report. No other changes were made to the default strategy over the year covered by this statement.

2.1 DC Statement of investment principles

In Schedule 1 of this statement is a copy of the Fund's latest DC Statement of Investment Principles governing decisions about investments for the purposes of the default DC investment arrangement (the Lifetime Pathway Fund). This has been prepared in accordance with regulation 2A of the Occupational Pension Funds (Investment) Regulations 2005 (the "DC Statement of Investment Principles"). The main investment principle governing the Lifetime Pathway Fund, as stated in the Fund's DC Statement of Investment Principles, is:

- To provide good member outcomes at retirement while subject to a level of investment risk which is appropriate to the majority of members who do not make active investment choices.

The Trustee is responsible for the Fund's investment governance, which includes setting and monitoring the investment strategy for the Fund's default arrangements. Details of the objectives and the Trustee's policies can be found in the Fund's DC Statement of Investment Principles and DC Investment Implementation Document.

2.2 Review of the DC investment arrangements

A full review of the default strategy (the Lifetime Pathway Fund) and the performance of the default arrangement (the Lifetime Pathway Fund), in line with statutory requirements, is required every three years (or without delay after any significant change in investment policy).

The DCC carried out a full review of the performance and strategy of the Lifetime Pathway Fund against the aims and objectives in the DC Statement of Investment Principles throughout 2020 and 2021, receiving formal investment advice on 23 November 2021 to revise the Lifetime Pathway Fund.

The Trustee believed that the Invesco Global Targeted Returns Fund, which formed a proportion of the Blended Assets white labelled fund, was no longer suitable for use within the Lifetime Pathway Fund as recent performance of the fund has been poor and the Trustee believed it did not offer value for members.

As a result the Trustee agreed to disinvest the Fund's holding within the Invesco Global Targeted Returns Fund (an underlying component of the Blended Assets Fund), with the full disinvestment complete on 5 October 2021. The make-up of the Blended Assets Fund as a result has been changed to:

- 12.90% State Street Multi-Factor Global Equity Index Sub Fund
- 2.10% State Street Emerging Markets Equity Index Fund
- 9.37% L&G All Stocks Gilt Index Fund
- 38.13% PIMCO GIS Income Fund
- 37.50% Schroders Dynamic Multi-Asset Fund

Further information on the make up of the Blended Assets Fund is included in section 4.

No other changes were made to the default investment strategy. The Trustee has no immediate concerns about the other investment options. However, as a result of the review, the Trustee has identified areas to further add value for members to the investment strategy. The Trustee is in the process of considering the best time to implement the remainder of the agreed changes.
The changes to the other investment options will be reported on in detail in the Chair's Statement covering the year that they are implemented.

3 Requirements for processing DC core financial transactions

"Core financial transactions" include (but are not limited to):

- investment of contributions in the DC Start and DC Core sections
- transfers of assets relating to members into and out of the DC Start and DC Core sections
- transfers of assets relating to members between different investments within DC Start and DC Core
- payments from the Fund to, or in respect of, members.

During the Fund Year, the Trustee ensured that "core financial transactions" were processed promptly and accurately by:

- Monthly monitoring and quarterly reporting of DC processing & member transaction service level agreements (SLAs). The SLA's were set by the Trustee and DCC and agreed with the in-house pension administration team.
- Monthly monitoring and quarterly reporting of contribution receipt against the SLAs.
- Monitoring that contributions are invested within 3 working days of completion of a reconciliation exercise.
- Reviewing each quarter the accuracy of basic member information held on the pension administration system.

The administration report covering these areas is presented at every DCC meeting with representatives of the administration leadership team attending and accountable for issues. These reports demonstrated that the administrator was operating within the agreed SLAs set out in the administration agreement. In addition:

- the Nestlé pensions DC processing team performed a reconciliation of monthly contributions;
- the Nestlé pensions accounts and DC processing teams monitored receipts of contributions into the DC bank account;
- the monthly contributions schedule detailing dates of receipt was reported at each quarterly DC Committee meeting; and
- the Nestlé pensions DC processing and accounts teams monitored the DC bank account each day and reconciled the DC bank account each month.

Members have a quarterly opportunity to switch their DC investments. Quarterly investment switches are processed each February, May, August and November and quarterly life-styling is done in the months of January, April, July and October.

The Nestlé pensions DC processing team performed monthly unit reconciliations between the pension administration system and the Fund Manager.

All investment trades and bank account transactions were checked and then authorised by separate individuals within one or more of the Nestlé pensions DC processing/Pension accounts/Service delivery teams.

The oversight of all service standards for the DC section was performed by the DCC.

The Trustee is comfortable that these internal controls are reasonable and appropriate and that they evidenced and helped ensure the accuracy and promptness of core financial transactions during the Fund Year. The Trustee is satisfied that the DC financial transactions were processed accurately and promptly during the Fund Year.

4 Investment performance

Performance for the Lifetime Pathway default arrangement
Over the reporting period to 31 December 2021, the funds used in the Lifetime Pathway default arrangement saw investment returns between -0.1% and +21.1% or, expressed in cash terms, investment returns ranged from a fall of £1 in the Pre-retirement to cash fund to a rise of £211.00 in the Equities fund for every £1,000 invested.

The investment performance of the funds used in the Lifestyle Pathway default arrangement during the period net of costs and charges expressed as a percentage were:

Fund	1-year performance
Equities	21.1%
Blended assets*	5.0%
Pre-retirement to cash	-0.1%

Source: Fidelity
*During the year, the make-up of the Blended Assets Fund was altered as part of the strategy review. Therefore, this figure covers the performance of the Blended Assets Fund based on the actual fund holdings over the year.

The Trustee is satisfied that all funds used by the Lifetime Pathway default arrangement have performed in line with their objectives over the year, with the exception of the Blended Assets Fund, which has performed slightly behind its objective. This is due to the previous strategy that was in place for the Blended Assets Fund throughout the majority of the year and this has been altered during the year as part of the strategy change.

Other investment options
The most popular funds among the other investment options, the Property Fund and the Ethical Growth Fund rose in value by 27.8% and 17%, respectively over the reporting period to 31 December 2021.

More information
Investment returns for all funds over the period prior to the change in strategy and over the reporting year to 31 December 2021 are shown in Appendix 4a.

Further information on the funds, how they are invested and their investment performance during the year, can be found on the Fund's website at https://www.nestlepensions.co.uk/

5 Assessment of member-borne charges and transaction costs

5.1 Level of member-borne charges and transaction costs

The charges and transaction costs borne by members and the Employer for the Fund's services are:

Service or activity	Borne by members	Borne by the Employer
Investment management	✓	
Administration		✓
Governance		✓
Investment transactions	✓	

The presentation of the charges and transaction costs, together with the projections of the impact of charges and costs, have taken into account the statutory guidance issued by the Department for Work and Pensions in September 2018.

Charges

The charges quoted in this statement are the funds' Total Expense Ratios ("TERs"). The TER consists of a fund's Annual Management Charge ("AMC") and Operating Costs and Expenses ("OCE"). OCEs include, for example, the fund's custodian costs. While the AMC is usually fixed, the OCE, and hence the TER, can vary slightly from day to day.

Transaction costs

Your DC account is invested in funds managed by investment managers. In the same way that you pay fees when you buy or sell a house, the investment managers have to pay fees when they make changes to what they hold in their funds. These are called "transaction costs". The funds' transaction costs are in addition to the funds' TERs and can arise when:

- The fund manager buys or sells part of a fund's portfolio of assets; or
- The platform provider or fund manager buys or sells units in an underlying fund.

So for example, if an investment manager sells shares in BP and buys shares in Apple, there will be a cost of the manager carrying out those transactions – hence the term "transaction costs.". The timing of when they make the purchase or sale also impacts the costs.

Transaction costs vary from day to day depending on where each fund is invested and stock market conditions at the time. Transaction costs can include: custodian fees on trades, stockbroker commissions and stamp duty (or other withholding taxes).

Transaction costs are taken into account when a fund’s unit price is calculated. This means that transaction costs are not readily visible, but these costs will be reflected in a fund’s investment performance.

The Financial Conduct Authority (FCA) requires fund managers and providers to calculate transaction costs using the “slippage method”, which compares the value of assets immediately before and after a transaction has taken place. This can give rise to negative transaction costs where favourable stock market movements during a transaction offset the rest of the trading costs (such as stockbroker commission).

The transaction costs shown in this statement do not include any costs members may incur from buying or selling units in the provider’s funds as a result of the fund manager’s fund price moving from a “bid” to “offer” basis (or vice versa). The “bid” price is the price to purchase units in the provider’s funds, where the “offer” price is the price to sell units in the provider’s funds.

We monitor the transaction costs to make sure they are competitive and broadly in line with similar funds as well as taking into account the fund’s performance and we aim to ensure you are getting good value from your investments.

Charges for the Lifetime Pathway default arrangement

The following section covers the member-borne charges for the Lifetime Pathway Fund over the reporting period to 31 December 2021, to include the strategy changes to the Blended Asset Fund implemented in October 2021.

The Lifetime Pathway Fund is a “lifestyle strategy” which invests contributions in funds according to how far each member is from retirement. As a result, charges borne by each member can vary from one year to the next. The glidepath for the Lifetime Pathway Fund is shown on page 2.

During the Fund Year covered by this Statement the member-borne charges for the Lifetime Pathway Fund ranged from 0.155% to 0.495% of the amount invested or, in cash terms, in a range from £1.55 to £4.95 per £1,000 invested. The following table shows how these charges vary from year to year according to how far each member is from retirement:

Period to retirement	Charge	
	% p.a. (2 decimal places)	£ for each £1,000 invested
15 + years	0.27%	£2.70
13 years	0.36%	£3.60
Between 5 and 10 years (when charges are at their highest)	0.49%	£4.90
3 years	0.36%	£3.60
At retirement (when charges are at their lowest)	0.16%	£1.60

Source: Fidelity

The following chart also shows graphically how these charges vary from year to year according to how far each member is from retirement:

The average charge for the default Lifetime Pathway over a 40-year savings period was 0.32% p.a. of the amount invested or put another way, £3.18 p.a. for each £1,000 invested. The average charge for the period prior to the strategy change to the Blended Assets Fund in October 2021 was 0.34%.

The table in Schedule 2a gives the charges for each underlying fund used in the Lifetime Pathway Fund.

The Fund is a qualifying scheme for auto-enrolment purposes and the member borne charges for the default arrangement complied with the charge cap during the Fund Year covered by this Statement.

Transaction costs for the Lifetime Pathway default arrangement
Transaction costs for all funds are provided for the year to 31 December 2021.

The Lifetime Pathway Fund is made up of three funds; Equities, Blended Assets and Pre-retirement to cash. The transaction costs for the default fund ranged from a cost of 0.01% p.a. to 0.14% p.a. of the amount invested or, in cash terms, in a range from a cost of £0.10 to £1.40 for each £1,000 invested. The transaction costs provided applied during the Fund Year covered by this Statement.

The table in Schedule 2a gives the transaction costs for each fund used in the default Lifetime Pathway arrangement.

During the Fund year, there were large-scale transfers affecting a number of members as a result of the Trustee review of the Blended Assets Fund and the Growth Fund (which saw a restructuring of the allocation of the Blended Assets Fund within this Growth Fund) which led to changes to the following investment options:

- The funds held within the Invesco Global Targeted Returns Fund were transferred to the PIMCO GIS Income Fund, the State Street Equity funds, and LGIM gilt fund on 28 September 2021, and the transition was complete on 5 October 2021.

Following the restructure of the Blended Assets Fund and the Growth Fund, transition costs of £72,473.65 and £44,422.88 were generated, respectively. The Company covered these costs.

Charges for the investment options outside the default arrangements

Self-select funds
Members of DC Core can choose to invest their funds from a range of options. These are called ‘self-select’ funds.
The Fund offers members a choice of 9 self-select funds.

During the year the charges for the self-select funds were in a range from 0.145% to 0.495% of the amount invested or, in cash terms, in a range from £1.45 to £4.95 for each £1,000 invested.

The table in Schedule 2b gives the charges for each self-select fund that applied during the Fund Year.

Transaction costs for the investment options outside the default arrangements

Self-select funds
Transaction costs for all funds are provided for the year to 31 December 2021.
The transaction costs borne by members in the self-select funds for the Fund Year that have been obtained for were in a range from a saving of 0.27% to a cost of 0.14% of the amount invested or, in cash terms, in a range from a saving of £2.70 to a cost of £1.40 for each £1,000 invested.

The table in Schedule 2b gives the transaction costs for each self-select fund that applied during the Fund Year. Schedule 2b also contains information regarding the individual periods the transaction costs relate to.

Additional Voluntary Contributions ("AVCs")
Current members in the Fund are also able to make AVCs. These members can invest their AVCs in the Lifetime Pathway Fund or the self-select funds offered, as detailed above.

The Fund also holds historical AVCs, which are AVC arrangements that are no longer open to member contributions.

Charges for current AVCs
During the year the charges for the AVC funds open to new contributions were in a range from 0.145% to 0.495% of the amount invested or, in cash terms, in a range from £1.45 to £4.95 for each £1,000 invested. Members can invest in the self-select funds detailed above. The tables in Schedule 2a and 2b give the charges for each AVC fund open to new contributions during the Fund Year.

Transaction costs for current AVCs
The transaction costs borne by members in the AVC funds open to new contributions during the Fund Year were in a range from a saving of 0.270% to a cost of 0.142% of the amount invested or, in cash terms, in a range from a saving of £2.70 to a cost of £1.40 for each £1,000 invested.
The tables in Schedules 2a and 2b give the transaction costs for each AVC fund open to new contributions (i.e. the Lifetime Pathway Fund and the self-select funds).

Charges, transaction costs and bulk transfers for historical AVCs
During the Fund Year, the Fund also held historical AVCs with the following providers:
- Standard Life (in With-Profits funds)

A "With-Profits" fund is managed by an insurance company (such as Standard Life). The investment returns on AVC benefits are not directly linked to any specific investments. Instead, depending on how well the insurance company (and their investments) are doing, members may receive bonuses each year as well as an extra bonus when they reach retirement. For some policies there is also a minimum guaranteed level of annual bonuses that will be applied.

Charges and transaction costs for historical With Profits AVCs
Some historical AVCs were invested in the Standard Life With Profits One Fund and the Standard Life With Profits One 2006 Fund during the Fund Year.

The charges and transaction costs for With Profits Funds are deducted from the overall fund before bonus rates are set for all policyholders. As a result, it is not possible to determine the exact charges and costs borne by members.

Standard Life do not give an indication of the average level of expenses the Funds expect to incur.

It should be noted that the implicit charges for the With Profits Fund cover the cost of guarantees and reserving as well as investment management and administration.

The Trustee assessed the value for members provided by these historical With Profits AVC funds in Q4 2018. This assessment was concluded by the Trustee in Q1 2019. Following this assessment, the Trustee decided that although existence of terms relating to bonuses and/or transfer values meant that the analysis was not straightforward, they were able to establish that they provided fair value to members. The Trustee agreed it would not be in the members' best interests to transfer these funds elsewhere. The Trustee plans to revisit this exercise in 2022. Any decisions taken will be reported in detail in the 31 December 2022 Chair's Statement.

Impact of costs and charges
The Trustee asked the Fund's investment adviser Hymans Robertson to illustrate the impact over time of the costs and charges borne by members.

These illustrations show projected fund values in today's money before and after costs and charges for a typical member based on their average age, salary, pot size and normal retirement age.

The tables in Schedule 3 to this Statement show these figures for the Lifetime Pathway Fund and the most popular self-select funds, including a high risk and low risk fund, together with a note of the assumptions used in calculating these illustrations.

As an example, for a member in the Lifetime Pathway default arrangement, paying the lowest level of contributions (4% employee and 5% employer) who is age 37 with a pot size of £9,000, a salary of £29,300 and a normal retirement age of 66, the level of charges and costs seen in the last year would reduce their projected pot value at retirement in today's money from £125,103 to £116,309.

As another example, for a member in the Lifetime Pathway default arrangement, paying the highest level of matched contributions (8% employee and 12% employer) who is age 37 with a pot size of £22,200, a salary of £37,700 and a normal retirement age of 66, the level of charges and costs seen in the last year would reduce their projected pot value at retirement in today's money from £351,316 to £326,860.

Please note:
- These illustrated values are not guaranteed and may not prove to be a good indication of how your own savings might grow.

5.2 Value assessment

In accordance with regulation 25(1) (b) of the Administration Regulations, the Trustee assessed as at 31 December 2021 the extent to which the charges and transaction costs set out in section 5.1 above represent good value for members.

As members bear the costs of investment management and investment transactions only, the Trustee's assessment looked at whether those combined investment costs provided good value for members. The Trustee has assessed value using a scoring methodology of five value categories spanning poor (1) to excellent (5).

The Trustee's definition of 'value for members', in line with the Pensions Regulator ('TPR')'s guidance, is one in which the cost of membership provides good value in relation to the services it provides to members, when compared with other options available in the market. A rating of good (4) in the scoring methodology used by the Trustee corresponds to the Fund providing services at better quality / cost compared with other typical options or similar schemes in the market.

Value is not simply about low cost – the Trustee also considers the quality of the services which members pay for. With the help of their advisers the Trustee compares the charges and costs as well as the quality of the services against other similar funds.

In keeping with the guidance from the Pensions Regulator, the Trustee, together with Hymans Robertson, have used the following method to assess value for members:
- Considered the Fund's investment charges and transaction costs as these are the only costs borne by the members.
- Considered the Fund's membership characteristics and weighted each of the areas according to its likely impact on member outcomes.
- Gathered information and evaluated how the services perform against the agreed metrics, taking into account cost, quality and scope of provision against any available external benchmarking assessment.
- Agreed an action plan with clear timescales where the Trustee believes the Fund is not providing value for members, is missing information, or could otherwise be improved.

Overall, the Trustee concluded that the Fund represents good value for members.
The Trustee's rationale was as follows:

- The charges for the Lifetime Pathway Fund (the default DC investment strategy) are under the 0.75% p.a. charge cap requirement and moves from 0.27% (during the growth phase), 0.49% (during part of the consolidation phase between 5 and 10 years from retirement) to 0.16% (at the end of the de-risking phase). Over a 40-year saving period the average charge is therefore 0.32% p.a. The Trustee notes that this compares similarly with the DWP's 2020 pensions survey average charge of 0.28% p.a. for a trust based qualifying scheme with more than 1,000 members and compares favourably against the average charge of 0.49% p.a. for unbundled trust-based schemes.
- During the year, a change was made to the underlying makeup of the Blended Assets Fund, which makes up part of the Lifetime Pathway Fund. Prior to this strategy change on 5 October 2021, the average charge for the Blended Assets Fund was 0.53%. This has reduced since the strategy change to 0.49% for the monitoring year to 31 December 2021.
- The Trustee provides nine self-select funds from which the membership can choose. The Trustee considers that this is a suitable range of self-select funds given membership characteristics. The total charges for the self-select funds range from 0.15% to 0.49% which is comparable to the Fund's peer group. In last year's value for members assessment, the Trustee considered the majority of the charges as reasonable value for members, with the exception of the Blended Assets Fund. The Trustee therefore carried out a review of this fund over 2021, with changes being made with effect from 5 October 2021. The Trustee now believes the Blended Asset Fund offers good value for members and will monitor the performance of the fund closely over 2022.
- The transaction costs for the funds range from a saving of 0.27% to a cost of 0.14%, which the Trustee (whilst accepting there is limited data available) believes is in line with other schemes.
- Performance for most funds remains broadly in line with respective benchmarks (after charges) over the period. Some funds have performed below their benchmark since inception (August 2017). The Trustee considers this to be a relatively short time period to measure performance. Furthermore, the Trustee and its DC investment advisor continues to monitor charges and receives quarterly detailed investment reports.
- Funds are made available via an investment only platform which provides additional benefits such as allowing a wider range of manager funds to be made available and using the aggregation of assets to gain economies of scale, thus reducing the charges of individual funds.

Additional Voluntary Contributions (“AVCs”) value for members
Information on the AVCs held by the Fund is detailed on pages 8 to 9 of this Statement.

With Profits value for members
Information on the With Profits funds held by the Fund are detailed on page 8 to 9 of this Statement.

Steps taken to improve value for members during the Fund Year
During the Fund Year, the Trustee took the following steps to improve value for members.

- Fund fees, suitability and performance have been regularly assessed through input from the Fund’s DC investment advisor;
- The Trustee monitored and reviewed fund performance, suitability and charges on a quarterly basis;
- The Trustee carried out a full review of the investment strategy to ensure the Lifetime Pathway Fund (the default DC investment arrangement) and the self-select funds remained appropriate for members and that it provides them with the best chance of a good outcome in retirement. Following the review, a change was made to the underlying funds within the Blended Assets Fund and this change was implemented during the reporting year. The Trustee has also identified further areas which could lead to an improvement in value for members and are considering further changes throughout 2022;
- The Trustee reviewed the DC Statement of Investment Principles and updated the DC Investment Implementation Document to reflect the changes to strategy which came into effect during October 2021;
- The Trustee produced an annual stewardship report considering “watchlist” companies. In the report, a watchlist company is defined to be a company that breaches the Nestlé Core Themes. This report considers the engagement of the SSGA and Schroders with these companies;
- The Trustee considered re-visiting the AVC review exercise to consider the Standard Life With Profits funds. It was decided no action should be taken during the year and this should be re-visited in 2022;
- The Trustee undertook analysis of members’ DC accounts at retirement, showing projected DC accounts at retirement on a member-by-member basis, using Guided Outcomes (GO) analysis.

During 2022 the Trustee intends to:

- Consider the use of member focus groups to boost engagement and understand member needs in more detail.
- Consider a replacement for the State Street Multi-Factor Equity Fund due to its expected closure in 2022.
- Continue to regularly review funds and monitor performance;
- Continue to monitor developments on ESG considerations.

6 Trustee knowledge and understanding ("TKU")

During the Fund Year, the trustee board have ensured that they have:

- a working knowledge of the trust deed and rules – for example, by consulting the relevant documents regarding their specific application to the Fund as the need arises. The Fund uses an online system for providing meeting papers and this also has a directory where all Fund documents (including the Trust Deed and Rules, SIP and policy documents) are held. All Trustee Directors have access to this.
- a working knowledge of the current SIP – for example, during the course of the Fund Year, the Trustee updated the DC Implementation Document that sits alongside DC Statement of Investment Principles to reflect changes made to the investment strategy of the DC section of the Fund.
- a working knowledge of all documents setting out the Trustee's current policies - for example, the Trustee reviews its various policies as required and makes any updates when needed.
- sufficient knowledge and understanding of the law relating to pensions and trusts – for example, all Trustee Directors have completed the Trustee Toolkit (an online learning programme from the Pensions Regulator aimed at trustees of occupational pension schemes). During each Fund Year it is expected that the Trustee Directors will continue to satisfy the TKU requirements by undertaking individual training and completing an ongoing programme of training throughout the year as a full trustee board. Every Trustee Director is made aware of the requirements of sections 247 and 248 of the 2004 Act (requirements for knowledge and understanding). Individual training needs are identified and managed accordingly. Training that is specific and tailored to the work of the Trustee and the decisions the Trustee will be making is provided as work is progressed and decisions are taken.
- sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes – for example, over the course of the Fund Year, the full trustee board received training from its advisors on a range of topics relevant to DC benefits and DC governance, including Responsible Investing and ESG. In addition the board received training in relation to the provisions of the Pensions Schemes Act 2021 as well as looking at the implications of the introduction of the Regulator's Single Code of Practice.

TKU review

In December 2019, a formal review of TKU was conducted and the results were shared with the Trustee. The review concluded that the Trustee Board had a history of taking a thorough approach to training and development support and was recognised as a Board already performing with a good degree of effectiveness, but there was still an opportunity to enhance and support the collective by improving knowledge sharing and decision-making. As a result, the Trustee board has placed a particular focus on board effectiveness going forward.

Trustee Effectiveness
In 2018 the Nestlé Pensions team undertook a review of the performance and effectiveness of the Trustee Board. The review concluded that the Board was working well but that board effectiveness could be developed further, so a training plan was agreed and implemented with the Fund advisers to further enhance the Board's capabilities in this respect. In addition, during the year a Trustee board effectiveness working group was established with a remit of reviewing the current processes and suggesting alterations where appropriate.

Over the Fund Year, the Trustee board considered whether their combined knowledge and understanding, together with available advice, enables them to properly exercise their functions by carrying out reviews of their effectiveness against objectives.

The annual Trustee development day, run on 8 December 2021, was heavily focussed on ESG issues and covered areas such as:

- What is the role of the Trustee and what are the questions when it comes to ESG and climate change?
- What can be learnt from the science?
- What does the Trustee need to know about ESG from COP26?
- How can the Trustee keep abreast of ESG in 2022?

A Board Effectiveness Working Group was established during the year and following discussions it was agreed that :-

- There would continue to be a focus on the Trustee's "ways of working" including:
    - Coding agenda items according to the amount of time expected to be needed during the meeting
    - Structuring agendas and establishing a board protocol to make best use of time during meetings
    - Cover notes to be provided for items where discussion was required to assist the Trustee in understanding the objectives for the discussion.
- There was a lot of support available from the advisers as well as the Nestle Pensions team
- Thought was being given to meeting design and frequency to ensure that meetings were efficient and effective
- Feedback would be requested in order to continually improve the ways of working

Advice obtained
Over the Fund Year, the Trustee received advice on investment matters from Hymans Robertson, legal matters from Sackers and other issues from other advisers as necessary. The Trustee's advisors attended board meetings and sub-committee meetings as appropriate, and their advice included training and/or the provision of relevant information to support decision-making. The Trustee also had access to regular bulletins and newsletters from their advisers.

Planning meetings are also arranged for all full Trustee Board and DCC meetings and representatives from Nestlé Pensions, Sackers (Trustee Board planning meetings) and Hymans Robertson (DCC planning meetings) attended these to ensure that service and technical aspects are explained and understood and that the training and information needed to support the Trustee's TKU, and effective decision making were provided at the right time.

Experience

The DCC is a well-resourced Committee with several Trustee Directors who have been members for many years. It is also important to ensure that the DCC evolves over time - and expands the DC experience of the wider Trustee Board - so two changes were made to the Committee's membership over the year. One newly elected Member Nominated Trustee Director replaced an outgoing Trustee Director and a new Chair was appointed in the final quarter of the year. The Chair of the Trustee Board assumed the role of DCC Chair, replacing the second independent Trustee Director on the Board, who had chaired the Committee since 2016. The Chair of the Trustee Board/Chair of the DCC is an Accredited Professional Trustee with wide ranging DC experience, including chairing one of the UK's largest Authorised DC Master Trusts. All the Trustee Directors on the DCC had specific training on DC matters during the year. This included sessions at meetings on 23 February 2021, 25 May 2021, 24 August 2021 and 23 November 2021. DC training also took place at main Trustee Board meetings during the year.

Collectively, the Trustee board benefits from the diverse set of skills brought by the individual Trustee directors from their various professional backgrounds. In particular, the Trustee board can draw upon individual professional experience in accountancy, HR and business which provides valuable insight from different perspectives. Additionally, the Chair of the Trustee is a professional trustee. The different skill sets brought by the individual Trustee Directors helps to provide for a strong and complementing composition of the board.

In addition, there is an experienced Chief and Investment Risk Officer who supports the Board and brings ideas on emerging market practice in relation to DC to the Trustee Board. There is also a dedicated Head of Engagement with extensive pensions communications expertise who works with the DCC to develop and implement clear, effective and engaging communications materials.

Training

All training undertaken during the Fund Year is recorded in the relevant training log. There were 2 new Trustee Directors appointed during the Fund Year. When new Trustee Directors are appointed, they are expected to complete the Trustee Toolkit within 6 months of appointment and bespoke, Fund-specific training is made available to them. The 2 new Trustee Directors have undertaken a training session with the Scheme Actuary and both completed the Trustee Toolkit within the specified time period. In addition a session was set up with members of the Board Effectiveness

Working Group to undertake a review of the first 6 months of the new Trustee Directors term of office so that feedback could be given and received.

As previously mentioned, the Chair of the Trustee is a professional trustee. As part of professional practice standards, the Chair is required to undertake relevant ongoing training each year and to log this with his professional body and firm. The training supported the specialist psychometric testing that had been undertaken previously together with the independent evaluation of working and behavioural preferences that was undertaken during the Fund Year. It is intended that further work regarding trustee effectiveness will be undertaken during 2021 and that regular reviews will be carried out going forwards.

Throughout the Fund Year, all Trustee Directors have been encouraged to raise issues (e.g. any knowledge gaps) or suggestions and have easy access to the Chair in order to do this. This will continue on an on-going basis

The Trustee board considers that:

(1) the initial training programme in place for new Trustee Directors
(2) the ongoing Trustee training initiatives described above and carried out over the course of the Trustee Directors' appointments,
(3) the evaluation of ongoing performance and effectiveness of the Trustee Board and the identification of training needs and
(4) the extensive support and professional advice available to Trustee Directors, which is structured to take account of matters likely to arise for consideration by the Board

enables the Trustee to properly exercise its functions as Trustee of the Fund and to meet the requirements of sections 247 and 248 of the Pensions Act.

Signed on behalf of the Trustee

Steve Delo
Chair of the Trustee
27 June 2022

Schedule 1

Nestlé UK Pension Fund – DC Section Statement of Investment Principles

August 2020

Contents

1 Introduction

This document contains the Statement of Investment Principles (‘the SIP’) required under Section 35 of the Pensions Act 1995, for the Nestlé UK Pension Fund (“the Fund”).

The Fund comprises both a defined benefit and defined contribution section. This document covers the defined contribution section (DC Section) only of the Fund. It describes the investment policy being pursued by the Trustee of the Fund and reflects the requirements of the Occupational Pension Schemes (Investment) Regulations 2005 and other legislation.[1]

The Trustee has taken proper written advice from its investment advisers and consulted the Principal Employer to the Fund in the preparation of this SIP.

Fund Governance

Nestlé UK Pension Trust Limited (“the Trustee”) acts as trustee of the Fund. Responsibility for setting the strategy and for managing the Fund rests with the Trustee. This includes responsibility for the governance and investment of the Fund’s assets. The Trustee considers that the governance structure set out in this SIP is appropriate for the Fund as it allows the Trustee to make the important decisions on investment policy, while delegating the day-to-day aspects to its appointed investment managers and / or its advisors as appropriate.

In order to effectively manage the varied requirements of running the Fund, a number of sub-committees are in operation, each with its own delegated powers and terms of reference, these include the Defined Benefit Financing Committee (the DBFC) and the Defined Contribution Committee (the DCC). The Trustee has also appointed an Investment Executive to assist in carrying out its duties.

Throughout this document any references to the Trustee may represent either the Trustee, the DBFC, the DCC or the Investment Executive (with the appropriate delegated authority from the Trustee).

The Trustee takes advice from its investment advisers to ensure that the assets of the Fund are invested in accordance with the policies set out in this SIP and the requirements of section 36 of the Pensions Act 1995.

Investment Implementation Document

It is intended that the SIP should be “principles based” in nature, and as such further details on the specific elements of the investment strategy are contained in a separate document, titled

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[1] The Trustee’s Statement of Investment Principles for the DC Section contained in this document include the:

1. Statement of the aims and objectives for the default arrangement in accordance with Regulation 2A(1) of the Occupational Pension Schemes (Investment) Regulations 2005 (the “Investment Regulations”);
2. Statement of the aims and objectives for investment options outside the default arrangement in accordance with Regulation 2A(1) of the Investment Regulations; and
3. Statement of investment beliefs, risks and policies in accordance with Regulation 2 of the Investment Regulations.

The Statement of Investment Principles for the DC Section of the Fund in accordance with Regulation 2 of the Investment Regulations comprises items 1, 2 and 3.

The Statement of Investment Principles for the DC Section of the Fund’s default arrangement as required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 comprises items 1 and 3.

the Investment Implementation Document ("IID"). Both the SIP and the IID should be read in conjunction with each other.

Signed on behalf of the Trustee Directors of Nestlé UK Pension Trustee Limited as Trustee of the Nestlé UK Pension Fund:

Name	Signed	Date
STEVE DELO		03/09/2020

Name	Signed	Date
ANDREW BAYLISS		03/09/2020

2 Investment Beliefs

The Trustee, having consulted with its investment advisers, has adopted a set of investment beliefs. These assist the Trustee in its consideration of investments and are as follows:

- An effective investment strategy must have clearly defined objectives for both return and risk and clear measures of success that allows progress to be monitored.
- To meet our objectives, we need a clear understanding of the risks that we are taking and to only take risks that we believe are adequately rewarded. To the extent it is possible, we try and mitigate any unrewarded risks through strategies such as hedging.
- The most significant contribution to meeting our investment objectives will come from our asset allocation and risk management choices.
- Good governance and decision-making will positively impact our ability to meet our objectives.
- Our approach to investment should avoid unnecessary complexity.
- Over the long-term, higher-risk assets such as equities are expected to outperform lower-risk assets (such as bonds), but their returns are also expected to show higher variability.
- Diversification within and across asset classes reduces the risk created by particular investments failing and should lower the volatility of overall returns.
- We believe that investments should be assessed in a value-based context, i.e. the impact of investments on both expected and actual risk-adjusted returns should be viewed net of costs. Additionally, the impact of costs needs to be understood before we invest and they should be kept as low as possible without compromising our objectives.

Responsible Investment

- Environmental, social and corporate governance considerations including climate change (collectively referred to as “ESG” factors) are likely to be financially material.
- In the long term better financial returns are likely to be achieved by investing in companies and assets that demonstrate they contribute to the long-term sustainable success of the global economy.
- ESG factors will become increasingly financially material and an important factor in strategic decision making.

3 Investment Objectives

Background to the default arrangement and investment options
The Fund is a qualifying scheme for auto-enrolment purposes and so must have a default arrangement.

The Trustee believes that it should be easy to become a member of the DC Section, and to start building retirement benefits, without the need to make any investment decisions and that a majority of the DC Section's members are expected to have broadly similar investment needs. Therefore, the DC Section makes available a default arrangement (known as the Default Option), for members who choose not to make an active investment choice.

Members in DC Start have their accounts automatically invested in the Default Option while members in DC Core have a choice about where their account is invested.

The Fund's default arrangement (known as the Default Option) is a lifestyle strategy which:

- Gradually moves investments between different funds to manage the levels of investment returns and principal investment risks at each stage of membership of the DC Section; and
- Targets the majority of members who are expected to take cash at retirement and / or
- UFPLS for a few years into retirement.

In addition to the Default Option, the DC Section offers members a choice of self-select investment options because:

- While the Default Option is intended to meet the needs of a majority of the DC Section's members, it may not meet the needs of a wider cross-section of members;
- Attitudes to investment risks and the need for investment returns will vary from member to member and will also vary for each member over time and, in particular, as they approach retirement;
- Members have differing investment needs and these needs change during their working lives; and
- Some members will want to be more closely involved in choosing where their contributions are invested.

Objectives for the Default Option
The Trustee's overall objective is to invest contributions in the best interests of members and their beneficiaries.

The main objective of Default Option is to provide good member outcomes at retirement while subject to a level of investment risk which is appropriate to the majority of members who do not make active investment choices.
The Trustee believes that it is in the best interests of the majority of members to offer a default which:

- Manages the principal investment risks members' face during their membership of the Fund;

- Maximises investment returns relative to inflation while taking an appropriate level of risk during membership of the Fund for the majority of members who do not make investment choices; and
- Reflects members' likely benefit choices at retirement.

Objectives for the self-select investment options

The DC Section offers members a choice of investment options as an alternative to the Default Option. The objectives of the self-select investment options are to:

- Provide a choice of individual funds for members who want to be more closely involved in choosing where their pension pots are invested;
- Complement the objectives of the Default Option;
- Provide a broader choice of levels of investment risk and return;
- Help members more closely tailor how their pension pots are invested to their personal needs and attitude to risk;
- Help members more closely tailor how their pension pots are invested to reflect the benefits they intend to take at retirement.

The Trustee also recognises the importance of offering a suitable range of investment options for members who wish to express an ethical preference in their pension saving. The Trustee offers a number of ethical funds as self-select investment options and keeps the range of self-selected funds under review.

Nevertheless, the self-select investment options cannot be expected to cover all the investment needs of all members.

Choosing the default arrangement and the investment options

The Trustee believes that understanding the DC Section's membership is essential to designing and maintaining a default arrangement which meets the needs of the majority of members and an appropriate range of investment options for members who do not wish to invest in the default arrangement.

In choosing what is felt to be an appropriate default, the Trustee has taken into account a number of factors including: members' projected pot sizes at retirement, contribution levels, the level of replacement income that members are likely to require and the likely return on investment after the deduction of charges payable on the funds used by the Default Option.

In choosing what is felt to be an appropriate range of investment options, the Trustee has taken into account of the following aspects including:

- the members' age and salary profile;
- the likely sizes of members' pension pots at retirement,
- members' retirement dates and likely range of benefit choices at retirement,
- the levels of investment risk and return members may be willing to take,
- the degree to which members are likely to take an interest in where their contributions are invested; and
- that some members may have strong personal views or ethical / religious convictions that influence where they believe their savings should, or should not, be invested.

The investment costs are borne by members and so a balance needs to be struck between choice and costs.

Creation of alternative "defaults"
In some circumstances changes to the Default Option or a self-select investment option may result in monies being invested in or transferred to an alternative fund without a member's consent (such as fund suspensions) which may result in funds other than the Default Option being deemed as "default" investment arrangements for the purposes of the Occupational Pension Schemes (Charges and Governance) Regulations 2015. A default arrangement is protected by the charge cap so that member charges for that arrangement do not exceed 0.75% p.a. Additional governance duties will also apply including setting out the suitability of these default arrangements in the SIP. Where a fund becomes a "default arrangement" for these purposes, the Trustee will apply the principles set out in this SIP in respect of the Default Option to the extent they are relevant to the fund. Further details may be set out in the IID in respect of any funds which have become "default arrangement" for these purposes.

4 Summary of the Fund's Investment Strategy

Investment strategy for the Default Option
The Default Option consists of one pathway fund, containing three phases within the 'lifecycle' of pension savings: a growth phase, a consolidation phase and a pre-retirement phase.

The Default Option aims to:

- invest in funds which are expected over the long-term to deliver strong returns relative to inflation for members up to 15 years from retirement;
- progressively invest in funds which are expected over the long-term to deliver good returns relative to inflation, while seeking to control the level of volatility in fund values (compared to equities), for members 15 to 5 years from retirement whose accumulated funds are expected by then to have grown to a size where the value at risk is material;
- during the last 5 years before retirement, increasingly invest in lower risk funds (and cash) which are expected to help mitigate fluctuations in the sizes of both members' fund values and the benefits members are likely to take at retirement.

Full details of the current default arrangement (the Default Option) are provided in the IID.

Investment strategy for the self-select investment options
The Trustee offers members a range of self-select investment options. Each fund consists of one or more investments in pooled investment vehicles operated by a range of different investment managers. The funds have been designed by the Trustee and "white labelled" to reduce disruption to members should a change need to be made at manager or strategy level.

Full details of the current self-select investment options, including the fund objectives, charges and underlying investments are provided in the IID.

Additional Voluntary Contributions ("AVCs")
The Trustee also has legacy AVC arrangements with Standard Life. Members are no longer able to make contributions to these legacy AVC funds, but existing assets may remain invested until further notice. All benefits held with Standard Life are in With-Profits funds.

5 Investment Managers

The Trustee delegates day to day investment decisions to suitably qualified independent investment managers. Investment managers are carefully selected to manage each of the underlying mandates following guidance and written advice from the Trustee's investment advisers.

The Trustee selects the Fund's investment managers with an expectation of a long-term appointment, although the legal terms of the contracts may provide for different durations according to asset class.

Mandates take the form of an investment in a pooled investment vehicle operated by a specific investment manager and made available to the Fund through an investment platform. This enables the DC Section to invest in a range of funds giving a good spread of investments in a cost-effective manner. The performance targets, benchmarks, restrictions and fees are set out in the respective fund documentation available on the Nestlé pensions website.

When investing in a pooled investment fund, the Trustee ensures the investment objectives and guidelines of the fund are consistent with the Trustee's investment policies.

Full details of the managers currently used for the Default Option and the self-select investment options are provided in the IID.

Manager incentives

The basis of remuneration of the investment managers by the platform provider may be subject to commercial confidentiality, however, the Trustee will seek transparency of all costs and charges borne by members. Nevertheless, the Trustee expects that it will be in the interests of both the platform provider and the investment managers on the provider's platform to produce growth in asset values in line with the funds' investment objectives. For passively managed funds this should be within an acceptable margin of the index the fund tracks. For actively managed funds the investment return should be commensurate with the level of investment risk implied by the fund's objectives.

When selecting funds, the Trustee will ask their investment advisor to consider the investment managers' remuneration strategies and appropriateness of each fund's investment guidelines to ensure that there is no inducement or scope to take an undue level of risk and that the investment managers will act in line with the interests of the Fund's members.

In accordance with the 2015 Regulations, the Trustee conducts an annual Value for Members assessment and will take action should the investment managers be found to be giving poor value. The Trustee believes that these steps are the most effective way of incentivising the investment managers to deliver Value for Members, of which investment management charges and investment performance are key considerations.

The Trustee will also periodically review the Fund’s choice of platform provider to ensure their charges and services remain competitive. The Trustee believe that these steps are the most effective way of incentivising the platform provider to deliver Value for Members.

Manager review and monitoring

The Trustee regularly monitors the Fund’s investment managers to consider the extent to which the investment strategy and decisions of the managers are aligned with the Trustee’s policies. This includes monitoring:

- the managers’ performance (net of fees and costs) against a benchmark appropriate to each manager, taking into account the level of risk taken by each manager. Performance targets are monitored over short, medium and long-term horizons;
- the extent to which the managers make decisions based on assessments about medium- to long-term performance and engage with underlying investee companies in order to improve their performance in the medium- to long-term;
- the managers’ approach to responsible investment and alignment with the Trustee’s policies in this area; and
- the managers’ fees and costs related to portfolio turnover where the data is disclosed and available.

To assist the Trustee in assessing performance the Trustee’s investment advisers provide relevant reporting on a quarterly basis.

Should the Trustee’s monitoring process reveal that a manager’s investment strategy and investment decisions are not aligned with the Trustee’s policies, the Trustee will engage with the manager to discuss how alignment may be improved. This includes specific consideration of the Fund’s responsible investment policies (see 8 below). If, following engagement with the manager, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the arrangements with the manager may be altered or their appointment terminated.

Security of DC assets

The Trustee uses a platform provider to access funds. The value of the funds may be affected in the event of the provider getting into financial difficulties.

The underlying funds used by the provider’s platform are accessed through reassurance agreements / unit purchase agreements / segregated investment mandates. In the event of a fund manager getting into financial difficulties, the values in these underlying funds will depend upon the nature of the contract with the platform provider and the fund vehicles used by the fund managers’ funds.

6 Costs and charges

The Trustee is aware of the importance of monitoring the investment managers' total costs and the impact these costs can have on the overall value of the Fund's assets.

Fees are charged by the Trustee’s managers either as a proportion of the assets under management or are related to performance targets. They are negotiated individually when a manager is appointed and are reviewed periodically. The Trustee takes advice from its investment advisers to ensure that fees are commensurate with the services provided.

In addition to annual management charges, there are other costs incurred by investment managers (including portfolio turnover costs) that can increase the overall cost incurred by its investments. Portfolio turnover costs are a necessary cost to generate investment returns and the level of these costs varies across asset classes and manager. The Trustee keeps them under review with the help of its investment advisers to ensure that they are appropriate. No specific ranges are set for portfolio turnover costs.

The Trustee monitors the Funds’ transaction costs to ensure that they are reasonable and represent value for money to members.

The Trustee provides an annual review of the costs and charges in relation to the Default Option and the self-select investment options in its annual DC Chair’s Statement in the Fund’s annual report and accounts. The DC Chair’s Statement also confirms the results of monitoring during the preceding year (for example, investment performance is reviewed as part of the Value for Members Assessment, which is summarised in the Chair’s Statement).

7 Types of investments held

The DC Section invests through pooled investment vehicles in accordance with the Fund's investment strategy set out in section 4. These funds may invest in:

- quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index-linked bonds, cash, commercial and residential property, infrastructure, commodities and derivatives to facilitate efficient portfolio management.

The investment managers are expected to maintain diversified portfolios and to avoid excessive reliance on any particular asset, issuer or group of undertakings.

Subject to the funds' benchmarks and guidelines, the investment managers are given discretion over the choice of securities and, for "multi-asset" funds, of asset classes.

Realisation of investments
Funds need to be sold to make payments of benefits and to undertake fund switches either in accordance with the asset allocation changes as prescribed by the Default Option or as requested by individual members. The Trustee normally expects the investment managers to be able to realise the funds within a reasonable timescale. The Trustee recognises that the investment managers may at times need to impose restrictions on the timing of purchases and sales of funds (most notably investing in property) in some market conditions to protect the interests of all investors in a fund.

Expected returns on investments
The Trustee receives professional independent investment advice on the expected levels of investment returns (after the deduction of charges) and risks for the funds used for the Default Option and self-select investment options to ensure that they are consistent with the Trustee's objectives set out in section 3.

The Trustee believes that it is important to balance investment risks with the likely long-term returns from different types of assets used in funds (taking the funds' costs and charges into account). The expected returns on the principal asset classes and fund types within the DC Section are:

- **Equities** – should achieve a strong positive return relative to inflation over the longer-term, but tends to be the most volatile asset class over the shorter-term;
- **Corporate Bonds** – should achieve a positive return relative to inflation over the longer-term which is lower than that for equities, but with a lower level of shorter-term volatility than equities;
- **Cash** – should deliver a positive return which may not always keep pace with inflation, while normally providing a minimal level of volatility and high degree of capital security;
- **Long-dated Government Bonds (Gilts)** – values should move broadly in line with the financial factors influencing annuity rates;
- **Diversified Growth / multi-asset funds** – invest in a varying mix of asset classes with an objective of delivering a target level of returns relative to inflation over the longer-term, with a target level of shorter-term volatility lower than equities.

- **Property –** should deliver a positive return but with lower levels of return and volatility compared to equities.

8 Responsible Investment

The Trustee is committed a responsible investor. Responsible investment is commonly defined as an approach which seeks to integrate environmental, social and corporate governance considerations including climate change (collectively referred to as "ESG" factors) into investment management processes and ownership practices.

The Trustee believes that ESG factors can have a material impact on financial performance and that considering ESG issues leads to more complete investment analyses and better-informed investment decisions consistent with the Trustee's fiduciary and investment duties. We believe this helps to reduce investment risk in the Fund and enhance long-term portfolio returns, whilst also potentially contributing to secure a sustainable world for society.

In relation to the Default Option, the Trustee frames their investment strategy by reference to long-term risk and return assumptions which make implicit allowance for ESG risks. The Trustee has also developed further detailed policies which it applies in its dealings with the Fund's investment managers to ensure that:

- minimum ESG standards are imposed for all managers and the Trustee periodically monitors compliance with these standards;
- financially material ESG-related risks and issues are monitored in relation to the Default Option and self-select investment options by reviewing each individual DC fund manager's activities in relation to ESG issues on an ongoing basis through periodic reporting using a responsible investment framework agreed with the Trustee's investment advisers;
- in selecting new investment funds, where relevant to the investment mandate, the Trustee explicitly considers potential managers' approach to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision making.

Stewardship

The Trustee has delegated all voting and engagement activities to the Fund's investment managers. Such 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).

The Fund's investment managers for both the Default Option and the self-select investment options are required to provide qualitative data to the Trustee on a regular basis regarding their recent voting and engagement activities.

The Trustee monitors the managers' track record of engaging with companies using a responsible investment framework agreed with the Trustee's investment advisers. The framework identifies certain core ESG themes as a priority for engagement based on advice as to their likely financial materiality to the Fund and alignment with the United Nations Global Compact principles.

Climate change
Climate change is a potential long-term material financial risk for the Fund which could impact the Fund's investments. The Trustee has developed a number of climate change goals which it is currently working towards in support of its commitment to manage and integrate the consideration of these issues within the Fund. These include working towards the incorporation of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Non-financial factors
The Trustee recognises that some members will have strong personal views or ethical / religious convictions that influence where they believe their savings should, or should not, be invested.

The Trustee recognises the importance of offering a suitable range of investment options for members who wish to express an ethical preference in their pension saving. The Trustee offers a number of ethical funds as self-select investment options and keeps the range of self-selected funds under review.

While the Trustee may take members' views into account when reviewing the suitability of the Fund's investment options and choice of funds used, the Trustee notes that non-financial factors can affect various investment risks which are borne by members and may under-perform other funds with broader-based investment approaches. The Trustee does not take non-financial factors into account in the selection, retention and realisation of investments in the Default Option.

9 Risk management and monitoring

All pension schemes are exposed to various risks. The principal investment risks the Trustee considers the Fund is exposed to are set out in Appendix 1.

The Trustee has developed and maintains a framework for assessing the impact of all investment risks on long-term investment returns.

Principal investment risks
The Trustee monitors the age profile of the DC Section's membership to arrive at an appropriate investment horizon when considering all investment risks. The investment risks for the Fund's youngest members need to be considered over a time horizon in excess of 40 years. The majority of the Fund's members who are currently approaching retirement are expected to take cash at retirement which informs the Default Option. Some members may choose to take their benefits in other forms (such as buying an annuity or income drawdown), the self-select investment options offers funds which help to manage this risk.

The Trustee believes that taking investment risk is usually rewarded in the long term, while asset allocation (i.e. the choice between asset classes, such as equities and bonds) is the key tool for managing the balance between risk and return.

To help mitigate the principal investment risks, the Trustee offers the Default Option, which automatically switch members from higher risk investments to lower risk investments as they approach retirement.

The Trustee believes that the self-select investment options available are appropriate for managing these risks.

Other investment risks
The Trustee manages the other investment risks as part of the process for selecting and ongoing monitoring of the funds used by the DC Section.

The funds used give a good spread of investments which will help manage risks associated with market conditions, fund manager actions and default.

Appendix 1 – Risks

Principal investment risks
The Trustee believes that the three principal investment risks most members will face are:

1) Inflation risk – the risk that investment returns over members' working lives may not keep pace with inflation and, as a result, do not produce adequate retirement benefits. For members further from retirement, the Default Option invests in "return-seeking" assets during the "growth" phase, which are expected to produce returns well in excess of inflation over the longer term.

2) Benefit conversion risk –The risk that market movements in the period just prior to retirement lead to an increase in the cost of turning members' fund values into retirement benefits.

Following the previous freedoms introduced in April 2015, the Default Option has been designed to facilitate members taking cash at retirement by switching into cash and into a lower volatility portfolio of assets during the pre-retirement phase.

For members planning to buy an annuity at retirement, the DC Section makes available, on a self-select basis, an annuity fund, which may be expected to broadly follow movements in annuity rates caused by interest rate changes as retirement approaches.

3) Volatility / Market risk – The risk that adverse movements in investment market values in the period prior to retirement lead to a reduction in the anticipated level of benefits.

For members approaching retirement, the Default Option invests in a greater allocation of funds which are expected to be subject to lower levels of volatility.

Other investment risks
The Trustee believes that other investment risks members may face include:

Investment manager risk - The risk that the investment managers fail to meet their investment objectives. The Trustee considers this risk, together with help from its advisers, as part of appointment and monitoring of the investment managers.
The Trustee has delegated the responsibility of monitoring managers to its investment adviser(s).

Active management risk - The risk that an investment manager will not deliver investment returns in line with investment markets generally or other investment managers.
The Trustee recognises that an actively managed fund may not deliver performance in line with the fund's objectives / agreed benchmarks. The Trustee regularly monitors fund performance in order to monitor this risk.

Liquidity risk – The risk that funds which invest in more illiquid assets will not be able to accept investments or disinvestments requested by the Trustee and / or members.
The Trustee is satisfied that the pooled funds in which they invest have sufficient liquidity and may be realised quickly if required.

Counterparty risk – The risk that counterparties holding derivative-based assets may default leading to a reduction in a fund's value.
The Trustee, in conjunction with their investment managers, manages counterparty risk by investing in pooled funds that offer suitable counterparty protection.

Currency risk – changes in exchange rates will impact the values of investments outside the UK when they are being bought or sold.

Interest rate risk – the value of funds which invest in bonds will be affected by changes in interest rates.

Default risk – for investments in bonds (where money is lent in return for the payment of interest), the company or government borrowing money fails to pay the interest due or repay the loan.

Environmental, Social and Governance (ESG) risks – The risk that ESG issues are not reflected in asset prices and / or not considered in investment manager decision making leading to underperformance relative to expectations.

Climate risk – The risk that climate change causes a material deterioration in asset values as a consequence of factors including, but not limited to: policy change, physical impacts and the expected transition to a low-carbon economy.

Platform provider counterparty risk – The risk that the value of funds may be affected in the event of the provider getting into financial difficulties.

Investment Implementation Document
For the DC Section of the Nestlé UK Pension Fund
August 2020

1 Introduction

This document (the "Investment Implementation Document", or "IID") has been prepared by Nestlé UK Pension Trust Limited, as Trustee of the Nestlé UK Pension Fund (the "Fund").

It is intended to supplement the Fund's Statement of Investment Principles ("SIP") for the DC Section. As such, both documents should be read in conjunction, with the Statement of Investment Principles capturing the broad principles of investment strategy and investment decision making (and thereby fulfilling the statutory requirements in terms of disclosure), with the IID providing more detail on the specific investments held and the various policies and procedures that have been agreed and put in place by the Trustee. As a result, this should be considered to be a working document and the Trustee anticipates making more frequent changes to it, periodically, over and above the Fund's SIP (which is principles-based in nature).

The IID is maintained by the Chief Investment and Risk Officer ("CIRO") and the DC Committee (DCC).

The IID covers the broad areas as follows which relate to the DC Section of the Fund.

- Section 2 - Membership Profile
- Section 3 - Investment Options
- Section 4 - Governance
- Section 5 - Fees and Charges
- Appendix 1 - Responsibilities
- Appendix 2 - Service Providers
- Appendix 3 - Fund Information

Signed on behalf of the DC Committee of the Nestlé UK Pension Fund:

Name	Signed	Date
JOHN CHILMAN		20/08/2020

2 Membership Profile

2.1 Member attitude to risk

In designing a suitable investment strategy, the Trustee recognises that:

- Members have differing investment needs and that these needs change during the course of their working lives; and
- Attitudes to investment risks, and the need for investment returns, will vary from member to member and will also vary for each member over time, in particular as they approach retirement.

As a result, the Trustee believes that a range of investment options should be offered to members.

The Trustee believes it is in the best interests of members to offer a default arrangement (known as the Default Option) which manages the principal investment risks members face during their membership of the Fund and which targets the method by which the majority of members are expected to take retirement benefits. The Default Option is a lifestyle strategy which the Trustee believes is broadly appropriate to meet the needs of a majority of the membership.

2.2 Member benefit choices at retirement

Following the pensions Freedom and Choice introduced in April 2015, members have a choice at retirement of:

- Taking cash at retirement;
- Taking Uncrystallised Funds Pension Lump Sums (“UFPLS”) for several years into retirement;
- Using Flexible Access Income Drawdown (“FAD”) during their retirement; or
- Buying an annuity at retirement or several years into their retirement.

The Trustee believes that members’ choices of benefits at retirement will be strongly influenced by:

- The size of their DC Pot in the Fund;
- The size of their deferred benefits from previous occupational pension schemes (especially defined benefit arrangement if applicable) and workplace group personal pension plans.
- Other sources of income including non-pension savings and partners’ pension provision.

In practice, the Trustee can only reliably take the likely size of members’ DC Pots in the Fund into account. The Trustee believes that a typical member, without significant sources of income outside the Fund, could be expected to act mostly as follows:

- **Small pots** – would be taken as cash or UFPLS over a few years in retirement.
- **Medium sized pots** – would be taken as UFPLS over several years in retirement.
- **Larger pots** – would be taken as cash at retirement and income drawdown during retirement (although some may use part of their DC Pot to buy an annuity at, or some years into, retirement).

At present, the Fund accommodates 100% cash withdrawal at retirement. The Trustee does not offer income drawdown facilities within the Fund – members would need to transfer their funds to other arrangements to do this.

3 Investment Options

3.1 Overall objectives

The Trustee's overall objective is to invest contributions in the best interests of members and their beneficiaries.

The objectives for the Default Option and self-select investment options are detailed in the Statement of Investment Principles.

3.2 Default Option

The rationale for having a default fund is detailed in the Statement of Investment Principles.

The Trustee has undertaken analysis of the DC Section's membership, which showed that:

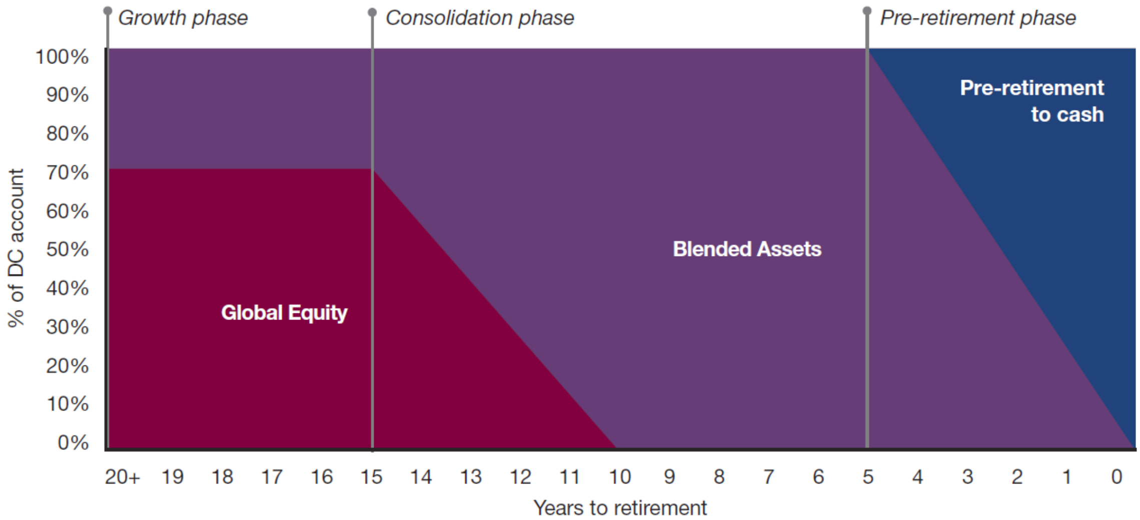
- The majority of members retiring in the next few years are expected to have relatively small DC pots at retirement.
- The majority of members retiring further into the future are expected to have more significant DC pots at retirement.

Based on this analysis, the Trustee believes that most members currently approaching retirement will want to take their retirement benefits as cash at retirement and / or UFPLS for several years into retirement and the Default Option, in particular the pre-retirement phase (see below for further details), has been designed with this in mind.

Objectives of the Default Option

The objectives of the Default Option are detailed in the Statement of Investment Principles.

Design of the Default Option
The Default Option is a lifestyle strategy containing three phases within the 'lifecycle' of pension savings as depicted below:



Note that during the growth phase, the Global Equity Fund and Blended Assets Fund have been combined to form the Growth Fund to prevent unnecessary mechanistic rebalancing.

Targets of the Default Option

The Default Option aims to:

Phase	Aim	Return Target*	Volatility Target*
Growth Phase	Invest in funds which are expected over the long-term to deliver strong returns relative to inflation for members up to 15 years from retirement.	CPI + 3-4% p.a.	15% - 20% p.a.
Consolidation Phase	Progressively invest in funds which are expected over the long-term to deliver good returns relative to inflation, while seeking to control the level of volatility in fund values (compared to equities), for members 5 to 15 years from retirement whose accumulated funds are expected by then to have grown to a size where the value at risk is material.	CPI + 2-3% p.a.	10% - 15% p.a.
Pre-Retirement Phase	During the last 5 years before retirement, to increasingly invest in lower risk funds (and cash) which are expected to help mitigate fluctuations in the sizes of both members' fund values and the benefits members are likely to take at retirement.	CPI+0-1% p.a.	2% - 5% p.a.

**Return Target and Volatility Target correct as at August 2020.*

The Trustee monitors the suitability of the targets for the Default Option and the performance (after the deduction of charges) of the Default Option against these targets at least every three years and without delay after any significant change in investment policy or the demographic profile of the membership.

The funds used in the Default Option are outlined in Appendix 3.

3.3 Self-select investment options

In addition to the Default Option, members are offered a choice of self-select investment options across a range of asset classes and investment styles. The Trustee believes that such options are appropriate to achieve the overall objectives of the Fund (as set out in the Statement of Investment Principles).

The self-select investment options are outlined in Appendix 3.

Members cannot invest concurrently in self-select funds and in the Default Option.

3.4 Additional Voluntary Contributions ("AVCs")

The Trustee also has legacy AVC arrangements with Standard Life. Members are no longer able to make contributions to these legacy AVC funds, but existing assets may remain invested until further notice. All benefits held with Standard Life are With-Profits funds, including the Standard Life With-Profits One Fund and the Standard Life With-Profits One 2006 Fund. The funds are closed to new contributions.

4 Governance

4.1 Trustee's Powers

The Trustee will always act in the best interests of the members and will assess the suitability of different types of investments to meet the needs of members.

4.2 Responsibilities

The key responsibilities in connection with the governance of the Fund are described in Appendix 1.

4.3 Communication

The Trustee communicates regularly with all stakeholders to ensure that they are aware of the Trustee's responsibilities in relation to investment. This includes the following:

- Consulting the Principal Employer on the content of this IID;
- Consulting the Principal Employer on the content of the Statement of Investment Principles;
- Providing communications to members;
- Producing the Annual Report and Accounts which includes the Chair's statement;
- Completing an annual return to the Pensions Regulator;
- Meeting regularly with the Investment Consultant, the investment managers and the administrator;
- Providing a range of literature to assist members in making their investment decisions. In addition, members should be provided access to factsheets for each fund showing the latest asset allocation and past performance.

4.4 Service Providers

Details of the current service providers and investment managers to the Fund are set out in Appendix 2 and 3.

4.5 Fees

Details of the current fees for the Fund's service providers and funds are set out in Section 5.

5 Fees and Charges

5.1 Investment Consultant

The Fund's Investment Consultant is predominately paid for on a fixed fee basis, with work outside of the fixed fee subject to agreement in advance before commencement. The Trustee believes that this approach ensures that all advice is impartial and independent.

5.2 Investment Management

The investment managers apply the charges set out in Appendix 3 for investing in the funds selected by the Trustee. The Total Expense Ratio ("TER"), also known as the Total Charge, is the sum of a fund's Annual Management Charge ("AMC") and any additional expenses (reflecting all the other operating costs and expenses of running the fund). The TER includes a platform fee of 0.07%. The TER excludes transaction costs on the fund's underlying assets.

The Trustee monitors the total charges of the funds used in the Default Option at quarterly reference points. The total charges borne by members in the Default Option over a rolling 12-month period comply with the charge cap.

The Trustee monitors the compliance of the Default Option with the charge cap introduced by the Pensions Act 2014, which applies from April 2015.

The charges for the investment options are borne by the members (through a deduction in their unit price).

Note that the total expense ratio (TER) can vary slightly due to the different performance of the underlying funds and the expenses incurred by them. The TER's in Appendix 3 are accurate as at 30 June 2020.

5.3 Administration

The administration costs are borne by the employer.

Appendix 1 – Responsibilities

The Trustee has decided on the following division of responsibilities and decision-making for the DC Section of the Fund. This division is based upon the Trustee's understanding of the various legal requirements placed upon it, and its view that this division allows for efficient operation of the Fund overall, with access to an appropriate level of expert advice and service.

Employer
The Employer is responsible for paying the contributions and for providing support to the Trustees to help govern the Fund.

Trustee
The Trustee is responsible for the appointment, monitoring and dismissal of the investment managers. Having taken advice from the Fund's Investment Consultant, the Trustee is satisfied that the appointed investment managers have sufficient experience and expertise to carry out their role.
The Trustee does not give advice to individual members on their fund selections. Members are encouraged to take independent financial advice when making their individual investment choices.

DC Committee (DCC)
The Trustee has set up a DC Committee (DCC) who will be responsible for all matters relating to the DC Section of the Fund, in accordance with its terms of reference.
The DCC meets on a quarterly basis to ensure that enough time is spent running the DC Section of the Fund properly and with the appropriate level of governance.
The DCC's main responsibilities include:

- Ensuring that the investment options are suitable for the Fund's membership profile.
- Preparation of the Statement of Investment Principles and reviewing the content of the Statement and modifying it if deemed appropriate, in consultation with the Principal Employer and the Investment Consultant. The DCC has the responsibility of maintaining this document (the IID).
- Appointing the Investment Consultant and other advisors as necessary for the good stewardship of the Fund.
- Assessing the performance, charges and processes of the investment managers by means of regular, but not less than annual, reviews of investment performance and other information, with the Investment Consultant.
- Monitoring compliance of the investment arrangements with this Statement on a regular basis.
- Preparing an annual Chair's statement for inclusion in the Annual Report and Accounts.

Investment Consultant

The DC Investment Consultant's main responsibilities include:

- Assisting the Trustee in the preparation and annual review of the SIP for the DC Section and this IID.
- Providing the Trustee with quarterly reports including commentary on any changes to the DC Section's funds' investment approach and a review of the investment performance.
- Give advice to the Trustee on the development of a clear investment strategy for the Fund including the Default Option and self-select investment options.
- Provide general advice in respect of the Fund's investment activities.
- Advice on the construction of an overall investment management structure and fund offering that meets the objectives of the Trustee.
- Undertaking project work including reviews of the DC Section's investment strategy, investment performance and manager structure as required by the Trustee.
- Provide views on the investment managers used by the Fund, assist the Trustee on the selection and appointment of appropriate investment managers and review of performance of the DC Section's investment managers.
- Providing training or education on any investment related matter as and when the Trustee sees fit.

Platform Provider

All funds within the DC Section are accessed through an investment platform. The investment platform in turn invests in funds provided by a selection of investment managers where investments are pooled with other investors. The platform provider offers a selection of investment managers to invest in and performs suitable levels of due diligence before new funds are added to the platform.

Investment Managers

All day-to-day investment management decisions have been delegated to the Investment Managers authorised under the Financial Services & Markets Act 2000.

The investment managers' main responsibilities include:

- ensuring that investment of the Fund's assets are in compliance with prevailing legislation and within the constraints detailed in the SIP and this Statement;
- managing their respective portfolios, within the guidelines of the funds selected by the Trustee;
- providing the Trustee with regular information concerning the management and performance of their respective portfolios;
- informing the Trustee of any changes in the internal performance objective and guidelines of any pooled fund used by the DC Section of Fund as and when they occur; and
- exercising voting rights and their engagement activities in accordance with their general policy.

Custodian

The custody arrangements in respect of the DC Section are those operated by the investment managers for all clients investing in their funds. The custodians are responsible for ensuring the security of the funds' underlying assets and recording sales and purchases of the funds' underlying assets.

Administration

The administrator’s main investment related responsibilities include:

- Passing contributions to the platform provider and ensuring that members are allocated the correct number of units in the fund, by ensuring the prompt investment and reconciliation of contributions.
- Undertaking switches between funds as required.
- Operating the lifestyle strategy of the Default Option.
- General administration, including maintaining records of the members’ investments and providing members with annual benefit statements.
- Paying benefit when they become due, and realising investments to pay benefits if required.

Members

Members are expected to be responsible for choosing the investment options in which contributions are invested, consistent with their tolerance of risk and likely benefits at retirement (and their level of understanding and ability to take investment decisions).

Appendix 2 – Service providers

The Trustee has appointed the following service providers:

Investment Consultant
The investment consultant (for the Defined Contribution Section) is Hymans Robertson LLP.

Platform provider
The investment platform through which the investment options are operated is provided by Fidelity.

Custodians
The Funds' custodians are appointed by the investment managers.

Administration
The administration of the Fund is carried out internally by Nestlé.

Investment Managers
The investment managers (for the Defined Contribution Section) are set out in Appendix 3.

Appendix 3 – Fund information

Funds in the Default Option

Fund name	Asset Class	Fund manager	Objective	Underlying fund(s)	Benchmark	Total Expense Ratio (TER) as at 30 June 2020
Growth Fund*	Multi - Asset	State Street Global Advisors (SSgA), Schroders, Invesco	This fund aims to provide sustainable long-term returns. The fund will invest in a broad range of assets including, but not limited to: equities, bonds, property, hedge funds and cash.	60.2% SSgA Global Multi-Factor Strategy 9.8% SSgA Emerging Market Equity Index Fund 15% Schroders Diversified Multi Asset Fund 15% Invesco Global Targeted Returns Fund	70% MSCI All Country World Index 15.0% CPI+4% p.a. 15.0% 3-month Sterling LIBOR +5%p.a.	0.30%
Equity Fund*	Equity	State Street Global Advisors (SSgA)	The Fund seeks to provide an investment return in excess of the performance of the benchmark over the long term.	86% SSgA Global Multi-Factor Strategy 14% SSgA Emerging Market Equity Index Fund	MSCI AC World Index	0.18%
Blended Assets Fund*	Multi - Asset	Schroders, Invesco	This fund aims to provide more stable (but slightly lower) long term returns than equities. The fund will invest in a broad range of assets including, but not limited to: equities, bonds, property, hedge funds and cash. The fund is actively managed by investment managers who make asset allocation decisions in order to deliver the targeted investment return.	50% Schroders Diversified Multi Asset Fund 50% Invesco Global Targeted Returns Fund	50.0% CPI + 4% p.a. 50.0% 3-month sterling LIBOR +5% p.a.	0.59%

Fund name	Asset Class	Fund manager	Objective	Underlying fund(s)	Benchmark	Total Expense Ratio (TER) as at 30 June 2020
Pre - Retirement to Cash Fund*	Multi - Asset	Legal & General	The aim of this fund is to provide exposure to a range of assets that have relatively low volatility and are expected to deliver returns in line with, or a small amount above, inflation.	100% L&G Cash Fund	100.0% 7-day LIBID	0.16%

*These are blended funds. Underlying funds and allocations are shown in the table above.

Funds available as self-select investment options

Fund name	Asset Class	Fund manager	Objective	Underlying fund(s)	Benchmark	Total Expense Ratio (TER) as at 30 June 2020
Equity Fund*	Equity	State Street Global Advisors (SSgA)	The Fund seeks to provide an investment return in excess of the performance of the benchmark over the long term.	86% SSgA Global Multi-Factor Strategy 14% SSgA Emerging Market Equity Index Fund	MSCI AC World Index	0.17%
Blended Assets Fund*	Multi-Asset	Schroders, Invesco	This fund aims to provide more stable (but slightly lower) long term returns than equities. The fund will invest in a broad range of assets including, but not limited to: equities, bonds, property, hedge funds and cash. The fund is actively managed by investment managers who make asset allocation decisions in order to deliver the targeted investment return.	50% Schroders Diversified Multi Asset Fund 50% Invesco Global Targeted Returns Fund	50.0% CPI + 4% p.a. 50.0% 3-month sterling LIBOR +5% p.a.	0.59%

Fund name	Asset Class	Fund manager	Objective	Underlying fund(s)	Benchmark	Total Expense Ratio (TER) as at 30 June 2020
Pre-Retirement to Cash Fund*	Multi-Asset	Legal & General	The aim of this fund is to provide exposure to a range of assets that have relatively low volatility and are expected to deliver returns in line with, or a small amount above, inflation.	100% L&G Cash Fund	100.0% 7-day LIBID	0.16%
Property Fund	Property	Legal & General	This fund aims to provide a diversified exposure to the UK and global property market.	100% Legal & General 70:30 Hybrid Property Fund	70% AREF/IPD UK Quarterly All Balanced Property Fund Index 30% FTSE EPRA/NAREIT Global Developed Real Estate Index	0.48%
Corporate Bond Fund	Corporat e Bonds	Fidelity	This fund aims to provide both income and growth based on investment in non-government bonds. It has the freedom to invest in overseas bonds and UK bonds, although investments will be made primarily in UK corporate bonds.	100% Fidelity UK Corporate Bond Fund	Bank of America Merrill Lynch Euro-Sterling Index	0.42%
Ethical Growth*	Multi-Asset	Legal & General	This portfolio offers investment in a mix of equites and UK government bonds. Funds in the FTSE 4Good	70% L&G Ethical Global Equity Index	70% FTSE4Good Global Equity Index	0.23%

Fund name	Asset Class	Fund manager	Objective	Underlying fund(s)	Benchmark	Total Expense Ratio (TER) as at 30 June 2020
			Global Equity Index are ethically screened to ensure that they have a focus on integrating sustainability issues. The expected level of risk is expected to be between that of equities and bonds. This is a passive fund which aims to invest 70% in equities and 30% in UK government bonds.	15% L&G All Stocks Gilts Index Fund 15% L&G All Stocks Index-Linked Gilts Index Fund	15% FTSE A All Stocks Gilts Index 15% FTSE A All Stocks Index-Linked Gilts Index	
Ethical Consolidation*	Multi-Asset	Legal & General, BlackRock	This portfolio offers investment in a mix of equites and UK government bonds. Funds in the FTSE 4Good Global Equity Index are ethically screened to ensure that they have a focus on integrating sustainability issues. The expected level of risk is expected to be similar to bonds. This is a passive fund which aims to invest 15% in equities and 85% in UK government bonds.	15% L&G Ethical Global Equity Index 17.5% L&G All Stocks Gilts Index Fund 17.5% L&G All Stocks Index-Linked Gilts Index Fund 50% BlackRock Up to 5 Years Gilts Index Fund	15% FTSE4Good Global Equity Index 17.5% FTSE A All Stocks Gilts Index 17.5% FTSE A All Stocks Index-Linked Gilts Index 50% FTSE A Up to 5 Years Gilts Index	0.15%

Fund name	Asset Class	Fund manager	Objective	Underlying fund(s)	Benchmark	Total Expense Ratio (TER) as at 30 June 2020
Pre-Retirement to Annuity	Annuity Purchase	Legal & General	The fund aims to provide diversified exposure to sterling assets that reflect the broad characteristics of investments underlying the pricing of a typical non-inflation linked annuity product.	100% Legal & General Pre-Retirement Fund	90% Non-Gilts (ex BBB) over 15 years 10% UK Gilts over 15 years	0.16%
Cash Fund	Cash	Legal & General	This fund invests in cash and other money market instruments that are similar to cash with very low volatility	100% L&G Cash Fund	100% 7-Day LIBID Index	0.16%

*These are blended funds. Underlying funds and allocations are shown in the table above.

Schedule 2
Table of funds and charges

2a Default arrangements (members can also pay AVCs into these funds)
The funds' charges (as "Total Expense Ratios") and transaction costs in the last year used in the default arrangement (Lifetime Pathway Fund) were:

Fund	ISIN *	Charges **		Underlying Fund	ISIN *	Transaction costs		
		% p.a. of the amount invested	£ p.a. per £1,000 invested			% p.a. of the amount invested	£ p.a. per £1,000 invested	Period covered by transaction costs
Equities	GB00BDT7X699	0.17%	£1.69	State Street Multi-Factor Global Equity Index Sub Fund	GB00BDH3QG06	0.00%	£0.00	01/01/2021 to 31/12/2021
				State Street Emerging Markets Equity Index Fund	GB00BF0YV144			
Blended Assets***	GB00BDT7X814	0.49%	£4.95	Schroder Dynamic Multi Asset Fund	GB00B433JR39	0.14%	£1.40	01/01/2021 to 31/12/2021

				State Street Multi-Factor Global Equity Index Sub Fund	GB00BDH3QG06			
				State Street Emerging Markets ESG Screened Index Equity Sub Fund	GB00BF0YV144			
				L&G All Stocks Gilt Index Fund	GB00BHFLGQ49			
				PIMCO GIS Income Fund	IE00BJ09LQ22			
Pre-retirement to cash	GB00BDT7XC51	0.16%	£1.55	L&G Cash Fund	GB00B6V6T565	0.01%	£0.10	01/01/2021 to 31/12/2021

Source: Fidelity

*** During the year, the make-up of the Blended Assets Fund was altered as part of the strategy review. Therefore, this figure covers the performance of the Blended Assets Fund based on the actual fund holdings over the year. The average charge for the Blended Assets Fund prior to the strategy change in October 2021 was 0.53%.

2b Self-select funds outside the default arrangements and AVC funds open to new contributions

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year for the self-select funds and AVC funds open to new contributions were:

Fund	ISIN *	Charges **		Underlying Fund	ISIN *	Transaction costs		
		% p.a. of the amount invested	£ p.a. per £1,000 invested			% p.a. of the amount invested	£ p.a. per £1,000 invested	Period covered by transaction costs
Equities	GB00BDT7X699	0.17%	£1.69	State Street Global Multi-Factor Strategy	GB00BDH3QG06	0.00%	£0.00	01/01/2021 to 31/12/2021
				State Street Emerging Markets Equity Index Fund	GB00BF0YV144			
Blended Assets	GB00BDT7X814	0.49%	£4.95	State Street Multi-Factor Global Equity Index Sub Fund	GB00BDH3QG06	0.14%	£1.40	01/01/2021 to 31/12/2021
				State Street Emerging	GB00BF0YV144			

				Markets Equity Index Fund				
				Schroder Dynamic Multi Asset Fund	GB00B433JR39			
				L&G All Stocks Gilt Index Fund	GB00BHFLGQ49			
				PIMCO GIS Income Fund	IE00BJ09LQ22			
Pre-retirement to cash	GB00BDT7XC51	0.16%	£1.55	L&G Cash Fund	GB00B6V6T565	0.01%	£0.10	01/01/2021 to 31/12/2021
Corporate Bonds	GB00BDT7X921	0.42%	£4.15	Fidelity Institutional UK Corporate Bond Fund	GB0033146563	-0.06%	-£0.60	01/01/2021 to 31/12/2021
Ethical Consolidation	GB00BDT7XG99	0.15%	£1.45	BlackRock Connect Up to 5 Years UK Gilt Index Fund	GB00BRYFX886	0.02%	£0.20	01/01/2021 to 31/12/2021

				L&G All Stocks Index Linked Gilts Index Fund	GB00B8ZHMJ47			
				L&G All Stocks Gilts Index Fund	GB00B8ZJTR71			
				L&G Ethical Global Equity Fund	GB00B6V6WH96			
Ethical Growth	GB00BDT7XF82	0.24%	£2.41	L&G Ethical Global Equity Fund	GB00B6V6WH96	0.00%	£0.00	01/01/2021 to 31/12/2021
				L&G All Stocks Gilts Index Fund	GB00B8ZJTR71			
				L&G All Stocks Index Linked Gilts Index Fund	GB00B8ZHMJ47			
Pre-retirement to annuity	GB00BDT7XB45	0.16%	£1.55	L&G Pre-Retirement Fund	GB00B6V70Q77	0.01%	£0.10	01/01/2021 to 31/12/2021
Cash	GB00BDT7XD68	0.16%	£1.55	L&G Cash Fund	GB00B6V6T565	0.01%	£0.10	01/01/2021 to 31/12/2021

Property	GB00BDT7X707	0.48%	£4.75	L&G 70:30 Hybrid Property Fund	GB00B6V2TD24	-0.27%	-£2.70	01/01/2021 to 31/12/2021

Source: Fidelity

2c Additional Voluntary Contributions for members (closed to new contributions)

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year for the AVC funds were:
The transaction costs detailed below cover different periods over the Fund year as investment managers are only required to report once per year. Therefore, there are discrepancies in the reporting periods between each of the AVC providers.

Fund	ISIN *	Charges **		Transaction costs ****		
		% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested	Period covered by transaction costs
Pension With Profits One Fund	n/a	n/a	n/a	0.17%	£1.73	01/01/2021 to 31/12/2021
Pension With Profits One 2006 Fund	n/a	n/a	n/a	0.19%	£1.73	01/01/2021 to 31/12/2021

Source: Standard Life

* ISIN = the International Securities Identification Number unique to each fund. Note, Equitable Life do not use ISIN codes, so the funds Citicodes are shown instead.

** Charge = the funds' Total Expense Ratio ("TER"), which includes the funds' Annual Management Charge ("AMC") and Operating Costs and Expenses.

Schedule 3
Tables illustrating the impact of charges and costs

The following tables show the potential impact of the costs and charges borne by an average member on projected values in today's money at several times up to retirement for a selection of funds and a range of contribution levels. The table shows a member who joins the Fund 29 years before their target retirement date. At 25 years before retirement, they have been invested for 4 years and the estimated pot size is shown before and after charges and costs. At 1 year before retirement, the member has been invested in the Fund for 28 years and the estimated pot size is shown before and after charges and costs.

3a For the default arrangement (the Lifetime Pathway Fund)

For an average member in the Lifetime Pathway Fund default arrangement, paying 4% employee contributions and 5% employer contributions:

Years to retirement	Before costs and charges £	After costs and charges are taken £
1	122,542	113,981
3	115,549	107,869
5	106,351	100,010
10	83,585	80,330
15	60,445	58,923
20	39,126	38,458
25	21,207	21,024
29	9,000	9,000

Source: Hymans Robertson using Fidelity costs and charges

For an average member in the Lifetime Pathway Fund default arrangement, paying 8% employee contributions and 12% employer contributions:

Years to retirement	Before costs and charges £	After costs and charges are taken £
1	343,949	320,149
3	323,972	302,642
5	297,822	280,243
10	233,164	224,205
15	167,620	163,474
20	107,337	105,544
25	56,687	56,212
29	22,200	22,200

Source: Hymans Robertson using Fidelity costs and charges

3b For a selection of the self-select funds and the alternative default arrangement

For an average member, paying 4% employee contributions and 5% employer contributions:

Years to retirement	Ethical Consolidation Fund (Cheapest)		Cash Fund (Alternative default and lowest expected return)		Global Equity Fund (Highest expected return and most popular)		Blended Assets Fund (most expensive)	
	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £
1	85,818	83,855	77,354	75,642	157,723	153,451	115,053	104,465
3	79,911	78,192	72,470	70,957	141,034	137,484	105,157	96,173
5	74,076	72,584	67,596	66,270	125,548	122,626	95,670	88,048
10	59,788	58,795	55,436	54,533	91,583	89,881	73,648	68,858
15	45,908	45,315	43,285	42,733	63,535	62,647	53,887	51,188
20	32,411	32,119	31,107	30,828	40,461	40,080	36,193	34,942
25	19,271	19,181	18,865	18,776	21,565	21,463	20,390	20,029
29	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000

Source: Hymans Robertson using Fidelity costs and charges

For an average member, paying 8% employee contributions and 12% employer contributions:

Years to retirement	Ethical Consolidation Fund		Cash Fund		Global Equity Fund		Blended Assets Fund	
	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £
1	242,297	236,821	218,669	213,884	441,972	430,147	323,675	294,516
3	225,378	220,589	204,643	200,421	394,834	385,025	295,530	270,597
5	208,662	204,515	190,642	186,952	351,099	343,041	268,550	247,438
10	167,731	164,989	155,708	153,210	255,197	250,528	205,933	192,743
15	127,966	126,343	120,787	119,274	176,025	173,610	149,752	142,389
20	89,290	88,504	85,778	85,026	110,918	109,896	99,462	96,100
25	51,635	51,400	50,575	50,344	57,621	57,357	54,558	53,615
29	22,200	22,200	22,200	22,200	22,200	22,200	22,200	22,200

Source: Hymans Robertson using Fidelity costs and charges

The assumptions used in these calculations were:

- The opening DC pot size for members in DC Start is £9,000, which was the average pot size for DC Start members in December 2021;
- The opening DC pot size for members in DC Core is £22,200, which was the average pot size for DC Core members in December 2021;
- A contribution in current day terms of either 4% employee and 5% employer or 8% employee and 12% employer. For a member with a salary of £29,300 in DC Start, and £37,700 in DC Core which was the average salary for members across both sections at December 2021, this is equivalent to contributions of £2,637 p.a. or £7,540 p.a. respectively
- The gross investment return for each fund above was:

Fund	Nominal return % p.a.
Equities	6.5
Blended Assets	4.5
Pre-retirement to Cash	1.75
Cash	1.75
Ethical Consolidation	2.5

- The rate of inflation was assumed to be 3.0% p.a.
- Real salary growth was assumed to be 1% p.a.
- The rate of increase in costs and charges is 0% p.a.
- The assumptions used are in line with those used for members' benefit statements
- All negative transaction costs have been assumed to be 0%

Please note that these illustrated values:

- Are estimates using assumed rates of future investment returns and inflation which may not be borne out in practice;
- Use an assumed rate of inflation (3.0% p.a.) which differs to the suggested assumed rate of inflation (2.5% p.a.) from TPR guidance;
- The assumptions used may be differ in the future to reflect changes in regulatory requirements or investment conditions;
- Will be affected by future, and as yet unknown, changes to the Fund's investment options;
- Are not guaranteed;
- Depend upon how far members in the default lifestyle option are from retirement as the funds used change over time;
- May not prove to be a good indication of how your own savings might grow;
- Comply with the Technical Actuarial Standards (TAS) 100: Principles for Technical Actuarial Work.

Schedule 4
Tables showing investment performance

4a Default arrangement

The investment performance of the funds used in the default arrangement during period up to 31 December 2021 net of all costs and charges expressed as an annual geometric compound percentage were:

Fund	1-year	3-year	5-year
Equities	21.1%	16.7%	N/A
Blended assets	5.0%	4.9%	N/A
Pre-retirement to cash	-0.1%	0.1%	N/A

Source: Fidelity

* During the year, the make-up of the Blended Assets Fund was altered as part of the strategy review. Therefore, this figure covers the performance of the Blended Assets Fund based on the actual fund holdings over the year.

For a selection of the self-select funds and the alternative default arrangement

4b Other investment options

The investment performance of the funds used in the other investment option during periods up to 31 December 2021 net of all costs and charges expressed as an annual geometric compound percentage were:

Fund	1-year	3-year	5-year
Blended Assets	5.0%	4.9%	N/A
Cash	-0.1%	-0.2%	N/A
Corporate bonds	-2.2%	5.6%	N/A
Equities	21.1%	16.7%	N/A
Ethical Consolidation	2.5%	5.0%	N/A
Ethical Growth	17.0%	15.9%	N/A
Pre-retirement to annuity	-5.0%	5.8%	N/A
Pre-retirement to cash	-0.1%	0.1%	N/A
Property	27.8%	9.4%	N/A

Source: Fidelity

Tables showing investment performance (for year ending 31 December 2021)