Annual Statement regarding Governance of the DC Section of the Nestlé UK Pension Fund (the "Fund")

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") require the Trustee of the Nestlé UK Pension Fund ("the Trustee") to prepare an annual statement regarding governance and include this in the annual Trustee report and accounts. The governance requirements apply to all defined contribution ("DC") pension arrangements which are "relevant schemes" and aim to help members achieve a good outcome from their pension savings.

This Chair's Statement (the "Statement") prepared by the Trustee covers the period from 1 January 2022 to 31 December 2022 (the "Fund Year") and is signed on behalf of the Trustee by the Chair.

This Statement covers disclosures in relation to the following:

1. The Fund's investment strategy – including the Default Option
2. Net investment returns
    i. Default Option
    ii. Self-select funds
    iii. Additional Voluntary Contributions
3. Member borne charges and transaction costs
    i. Default Option
    ii. Self-select funds
    iii. Additional Voluntary Contributions
    iv. Illustrations of the cumulative effect of costs and charges
4. Value for members assessment
5. Processing of core financial transactions
6. Trustee knowledge and understanding

1. The Fund's investment strategy – including the Default Option

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

The Fund is used as a qualifying scheme for automatic enrolment purposes and qualifying schemes are required to have a default investment option in place for members who do not make an active choice.

The Default Option

The Trustee is responsible for the Fund's investment governance, which includes setting and monitoring the investment strategy for the Fund's Default Option, the Lifetime Pathway. The Lifetime Pathway is primarily provided for members who join the Fund and do not choose an investment option for their contributions and are looking to take their retirement savings as cash.

The Lifetime Pathway initially invests contributions in in higher risk growth-like assets and gradually shifts into lower risk assets as members get closer to their target retirement age. The Lifetime Pathway is composed of:

- Growth Phase – invest in funds which are expected over the long-term to deliver strong returns for members up to 15 years from their target retirement age;
- Consolidation Phase - progressively invests in funds which are expected over the long-term to deliver good returns, while seeking to control the level of volatility in fund values (compared to equities), for members 15 to 5 years from their target retirement age;
- Pre-Retirement Phase - during the last 5 years before retirement, members' assets are increasingly invested in cash which is expected to help mitigate fluctuations in the sizes of members' fund values.

Statement of Investment Principles

Details of the objectives and the Trustee's policies regarding the Default Option can be found in a document called the 'Statement of Investment Principles' ("SIP"). The Fund's SIP is attached and can also be found here.

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

The main objective of the 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 Option 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

Investment strategy review

The Default Option was not formally reviewed during the period covered by this Statement.

The last review was completed on 23 November 2021. The review considered performance and suitability of the Lifetime Pathway. This assessment was made by considering the Lifetime Pathway fund against the aims and objectives in the DC SIP.

Although the Default Option was not formally reviewed during the year, amendments were made to the underlying component funds of three blended funds used in the Lifetime Pathway: the Growth, Blended Assets and Equities funds.

The State Street Multi-Factor Global Equity Index Sub-Fund closed in December 2022 and was used in all three of the above blended funds. In August 2022, the Defined Contribution Committee ("DCC") carried out a review to replace the State Street Multi-Factor Global Equity Index Sub-Fund and considered the following in their decision-making process:

- Objectives of the alternate fund options, including consideration of environmental, social and governance ("ESG") risks and carbon emissions;
- How any new fund would sit alongside existing underlying component funds and the impact on the overall risk and return profile;
- Hedging and the cost-benefits of implementing a hedge;
- Diversification, in terms of index construction (e.g., market capitalisation vs. multi-factor approaches) and across managers;
- Costs and charges, including transaction costs involved in making any changes; and
- Stewardship and potential influence through voting and engagement.

The DCC concluded that the BlackRock World ESG Equity Index Tracker and BlackRock World Multifactor Equity Index Tracker funds were the most suitable replacements for the former State Street Multi-Factor Global Equity Index Sub-Fund and were best aligned with the Trustee's objectives. The BlackRock ESG funds were implemented into Growth, Blended Assets and the Equities funds on 23 November 2022:

- **Growth Fund**: The 64% allocation to the State Street Multi-Factor Global Equity Index Sub-Fund was replaced by a 32% allocation to the BlackRock World Multi-Factor ESG Equity Fund and a 32% allocation to the BlackRock World ESG Equity Tracker Fund.
- **Blended Assets**: The 13% allocation to the State Street Multi-Factor Global Equity Index Sub-Fund was replaced by a 6.5% allocation to the BlackRock World Multi-Factor ESG Equity Fund and a 6.5% allocation to the BlackRock World ESG Equity Tracker Fund.
- **Equities Fund:** The 86% allocation to the State Street Multi-Factor Global Equity Index Sub-Fund was replaced by a 43% allocation to the BlackRock World Multi-Factor ESG Equity Fund and a 43% allocation to the BlackRock World ESG Equity Tracker Fund.

Implementing the BlackRock ESG funds has reduced the carbon emissions of the Fund's DC investments, and one of the funds has an explicit objective to further reduce its carbon emissions each year to achieve net zero emissions by 2050. This is consistent with the Trustee's own Net Zero ambition and views on responsible investment.

In planning the transition, the Trustee received expected transition costs from their investment advisor and concluded that the costs were reasonable. The Trustee, with support from their investment advisor, also monitored market volatility in the lead up to the transition before confirming that a movement of assets could proceed, and assets were realised and invested on the same day to limit out of market exposure. Final transition costs were 0.08% and were in line with similar transitions of that scale and lower than the anticipated costs calculated prior to the transition. The DCC also decided to reimburse members for the transition costs incurred.

The Trustee undertake a formal review of the Default Option every three years and commenced the next investment strategy review in February 2023.

Performance Monitoring

Performance of the Default Option and the component funds used within it are regularly monitored between each strategic review to ensure they are delivering as expected, in line with the objectives outlined in the SIP.

The Trustee has in place performance monitoring metrics that bring any underperforming funds to the attention of the Trustee. Performance of the funds is reviewed against benchmarks and, where relevant, targets, that have been agreed with the investment managers. The Trustee also reviews on a quarterly basis overall risk and return metrics of the Default Option against thresholds and targets it has set.

Following the former UK Chancellor's 'mini-budget' and subsequent disruption in UK fixed income markets and sterling currency, the Trustee increased the regularity in performance monitoring of the Fund's DC Section investment options. The DCC reviewed performance against both fund benchmarks, broad market comparators and inflation levels.

The Trustee's performance monitoring during the Fund Year concluded that the Default Option performed broadly as expected, however enhancements could be made to the underlying fund allocation to improve the risk and return profile and expand the investment opportunity set in line with the objectives outlined in the SIP. The Trustee is reviewing the Default Option in detail as part of the triennial investment strategy review and will provide a further update on the outcome of this review in next year's Statement.

2. Net investment returns

The Trustee is required to report on net investment returns for each default arrangement and for each non-default fund which members were invested in during the year. Net investment returns refers to the returns on funds minus all member-borne transaction costs and charges.

The net investment returns have been prepared having regard to statutory guidance and cover the period to 31 December 2022. It is important to note that past performance is not a guarantee of future performance.

(i) Default Option:

Lifetime Pathway

Performance to 31 December 2022	Annualised returns (% p.a.)	
Age of member on 1 January 2022	1 year	5 years
25	-5.7	5.5
45	-5.7	5.5
55	-8.2	4.0

Source: Underlying Managers and Fidelity as at 31 December 2022.

(ii) Self-select funds

In addition to the Lifetime Pathway, members also have the option to invest in 9 self-select funds.

Performance to 31 December 2022	Annualised returns (% p.a.)	
Fund name	1 year	5 years
Equities	-4.0	7.9
Blended Assets	-9.8	-0.4
Pre-retirement to Cash	1.2	0.4
Ethical Growth	-13.9	5.6
Ethical Consolidation	-13.7	0.0
Pre-retirement to Annuity	-29.2	-3.9
Cash	1.2	0.3
Corporate Bonds	-17.1	-0.9
Property	-10.1	3.0

Source: Fidelity as at 31 December 2022

(iii) Additional Voluntary Contributions (AVCs)

A small amount of AVC assets remain within a legacy Standard Life AVC policy. These arrangements are closed to new contributions and were only available to members of the Defined Benefit (DB) Section of the Fund.

Performance of underlying assets to 31 December 2022	Annualised return (% p.a.)	
Fund name	1 year	5 years
Standard Life With Profits One	-6.3	2.0
Standard Life With Profits One 2006	-6.3	2.0

Source: Standard Life as at 31 December 2022

The Standard Life With Profits Funds have unique features including an element of smoothing of returns. The underlying returns generated by the asset allocation shown above are not applied to member accounts but instead members receive an annual bonus rate which is applied throughout the year. This feature can be beneficial during periods of market stress where bonus rates are often above the underlying returns. However, during a market rally, bonus rates often fall below the underlying returns. This feature helps to provide more consistent returns regardless of the volatility of the underlying assets in the With Profits Funds. There are no guarantees associated with either of the Standard Life With Profits Funds, however once the annual bonus rate is announced, it cannot be removed. Terminal bonuses, which are subject to change at any time, can also be payable as part of the With Profits Funds.

The annual bonus rates announced (and that cannot be removed) for each of the With Profits Funds are set out below. Bonus rates are applied on 31 January each year. The previous five years of bonus rates have been annualised to make comparison against underlying asset returns shown above easier.

With Profits Funds Bonus Rates	**Bonus Rates Announced (% p.a.)**	
Fund name	1 year	5 years
Standard Life With Profits One	1.25	0.85
Standard Life With Profits One 2006	1.25	0.85

Source: Standard Life

3. Member Borne Charges and Transaction costs

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

- **Fund Charges: these are explicit, and represent the costs associated with operating and managing an investment fund. They can be identified as a Total Expense Ratio (TER), or as an Annual Management Charge (AMC), which is a component of the TER;**
- **Transaction Costs (TCs): these are not explicit, and are incurred when a fund manager buys and sells assets within investment funds but are exclusive of any costs incurred when members invest in or sell out of funds.**

The Trustee is also required to confirm that the total costs and charges paid by any member in the default arrangement have not exceeded 0.75% p.a. (the charge cap) and produce an illustration of the cumulative effect of the overall costs and charges on members' retirement fund values as required by the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018.

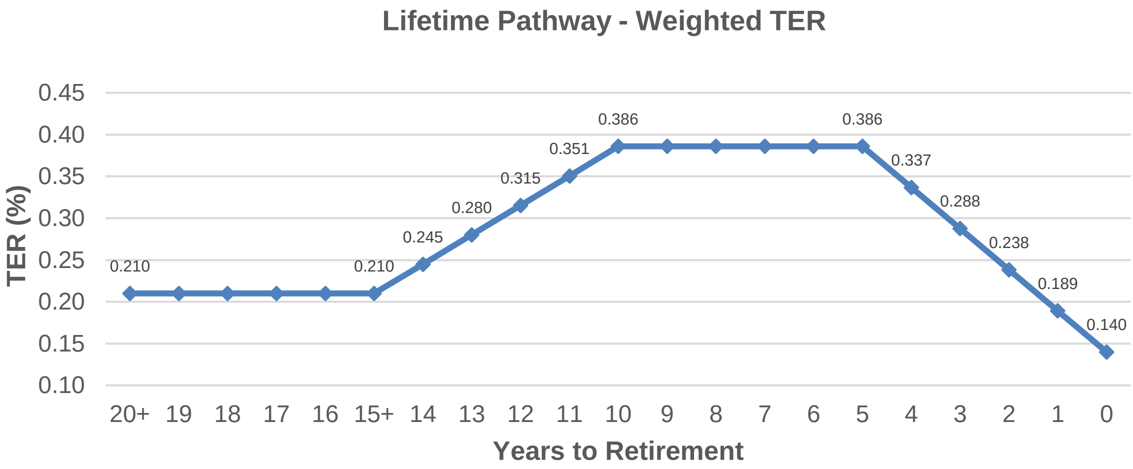
The Trustee has set out the costs and charges that are incurred by members, rather than the employer, over the statement year in respect of each investment fund available to members. These comprise the Total Expense Ratio and insofar as we are able to, transaction costs.

The charges have been supplied by Fidelity who are the Fund's platform provider. Fidelity have not been able to provide all the transaction costs as at 31 December 2022 due to a time lag of data being provided by the underlying managers. Where available, data as at 31 December 2022 has been disclosed below, however when this is not possible data as at 30 September 2022 has been used as an alternative. The Trustee, along with their investment adviser, have spoken to and emailed Fidelity on multiple occasions to obtain the outstanding information and will continue to liaise with them until all information is received. Standard Life have provided transaction costs to 31 December 2022. Where the transaction costs provided were negative, these have been set to zero.

(i) Default Option – the Lifetime Pathway

The Lifetime Pathway has been set up as a lifestyle arrangement which means that member's assets are automatically moved between different investment funds as they approach their target retirement date. This is illustrated in the chart below.

The TERs that a member paid over the year depends on their term to retirement, as shown in the line chart below. The TER ranges from 0.140% p.a. to 0.386% p.a., which is within the 0.75% p.a. charge cap for schemes that are used as qualifying schemes for automatic enrolment purposes.



Transaction costs ranged between 0.02% p.a. and 0.14% p.a., meaning that the total cost associated with the Lifetime Pathway was between 0.16% p.a. and 0.53% p.a.

Default Option	TER (% p.a.)	Transaction Costs (% p.a.)	Total costs (% p.a.)
Lifetime Pathway	0.14 – 0.39	0.02 – 0.14	0.16 – 0.53

Source: Fidelity. TERs as at 31 December 2022. Transaction costs as at 30 September 2022.

(ii) Self-select funds

In addition to the Lifetime Pathway, members also have the option to invest in nine individual funds.

The TERs and transaction costs for each of these are shown in the following table.

Self-Select Fund	TER (% p.a.)	Transaction Costs (% p.a.)	Total costs (% p.a.)
Equities	0.134	0.01	0.144
Blended Assets	0.386	0.14	0.526
Pre-Retirement to Cash	0.140	0.02	0.160
Ethical Growth	0.208	0.00	0.208

Ethical Consolidation	0.126	0.07	0.196
Pre-Retirement to Annuity	0.140	0.00	0.140
Cash	0.140	0.02	0.160
Corporate Bond	0.390	0.00	0.390
Property	0.460	0.00	0.460

Source: Fidelity as at 31 December 2022. Transaction costs shown as at 30 September 2022, excluding the Corporate Bond Fund which is shown as at 31 December 2022.

(iii) Additional Voluntary Contributions

The legacy AVC assets remaining with Standard Life are closed to new contributions. These arrangements were only available to members of the DB Section of the Fund.

The TERs and transaction costs associated with the Standard Life AVC policy are shown below.

AVC Funds	TER (% p.a.)	Transaction Costs (% p.a.)	Total costs (% p.a.)
Standard Life With Profits One	1.15	0.02	1.17
Standard Life With Profits One 2006	1.20	0.02	1.22

Source: Standard Life as at 31 December 2022.

(iv) Illustrations of the cumulative effect of costs and charges

From 6 April 2018 the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 introduced new requirements relating to the disclosure and publication of the level of costs by the trustees and managers of a relevant scheme. These changes are intended to improve transparency on costs.

In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustee has provided three illustrations of their cumulative effect on the value of typical Fund members savings over the period to their retirement.

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative members, and are based on a number of assumptions about the future which are set out below.

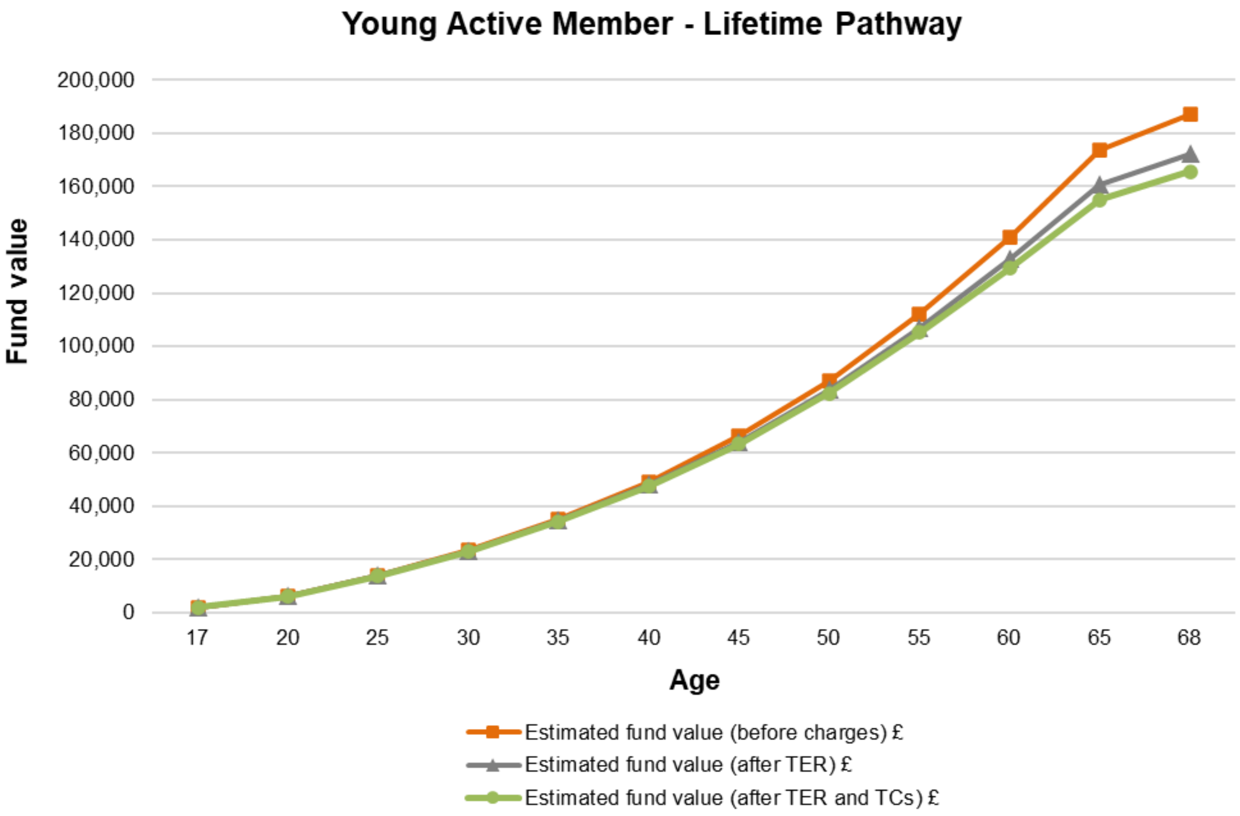
Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Fund, they are not a substitute for the individual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

Each illustration, A, B and C, is shown for a different type of member invested in the Lifetime Pathway, which is the Default Option. Illustrations for the Default Option are shown as a chart and a table as follows:

- Each chart represents investment in the Default Option, the Lifetime Pathway.
  - The charts show a projection of the member's retirement savings at retirement age, with and without costs and charges applied.
- As the projected retirement savings are dependent on investment returns as well as the level of costs and charges, we have also included some comparison figures with other investments in the tables.
  - For comparison purposes, we also show the projected retirement savings if the typical member were invested in the fund within the self-select range offered by the Fund which attracts the lowest charges, the Pre-Retirement to Annuity Fund, and the self-select fund which attracts the highest charges, the Blended Assets Fund.

All projected fund values are shown in today's terms, and do not need to be reduced further for the effect of future expected inflation.

Illustration A: is based on a young active Fund member who has 51 years to go until their retirement at age 68. The member has a current salary of £13,500 and has future contributions of 9% of salary. The member has a current fund value of £2,000.

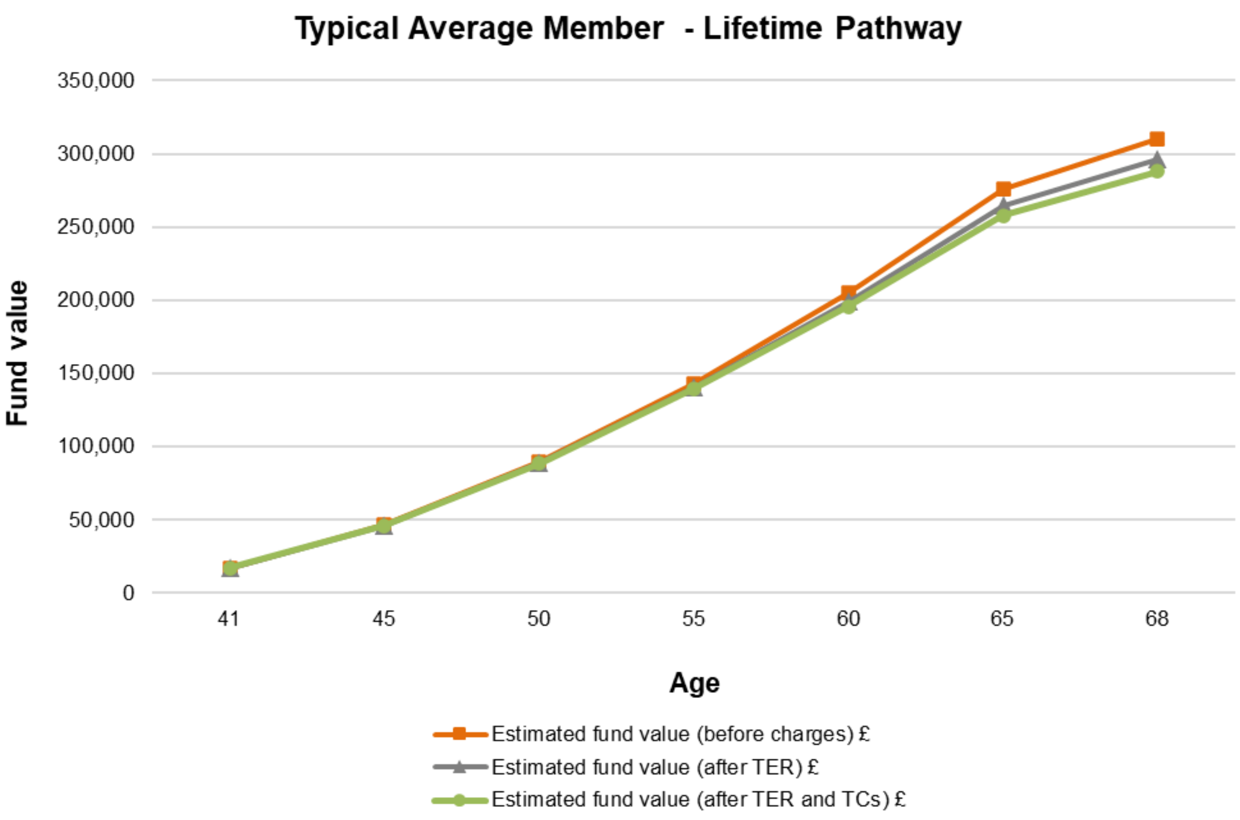


Projected Pension Account in today's money			
Age	Default Option - Lifetime Pathway		
	Before charges	After charges	Effect of charges
	£	£	£
17	2,000	2,000	0
20	6,060	6,030	30
25	13,970	13,790	180
30	23,550	23,070	480
35	35,170	34,190	980
40	49,250	47,490	1,760
45	66,330	63,410	2,920
50	87,030	82,460	4,570
55	112,180	105,220	6,960
60	141,070	129,230	11,840
65	173,760	155,000	18,760
68	187,080	165,570	21,510

Projected Pension Account in today's money *(Comparison Funds)*						
Age	Pre-Retirement to Annuity Fund			Blended Assets Fund		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£
17	2,000	2,000	0	2,000	2,000	0
20	5,730	5,710	20	6,020	5,940	80
25	12,230	12,140	90	13,740	13,320	420
30	19,100	18,900	200	22,940	21,840	1,100

35	26,370	25,990	380	33,900	31,680	2,220
40	34,050	33,430	620	46,980	43,050	3,930
45	42,180	41,240	940	62,570	56,190	6,380
50	50,770	49,440	1,330	81,160	71,360	9,800
55	59,850	58,050	1,800	103,320	88,890	14,430
60	69,460	67,080	2,380	129,730	109,130	20,600
65	79,610	76,570	3,040	161,230	132,520	28,710
68	85,980	82,480	3,500	182,960	148,260	34,700

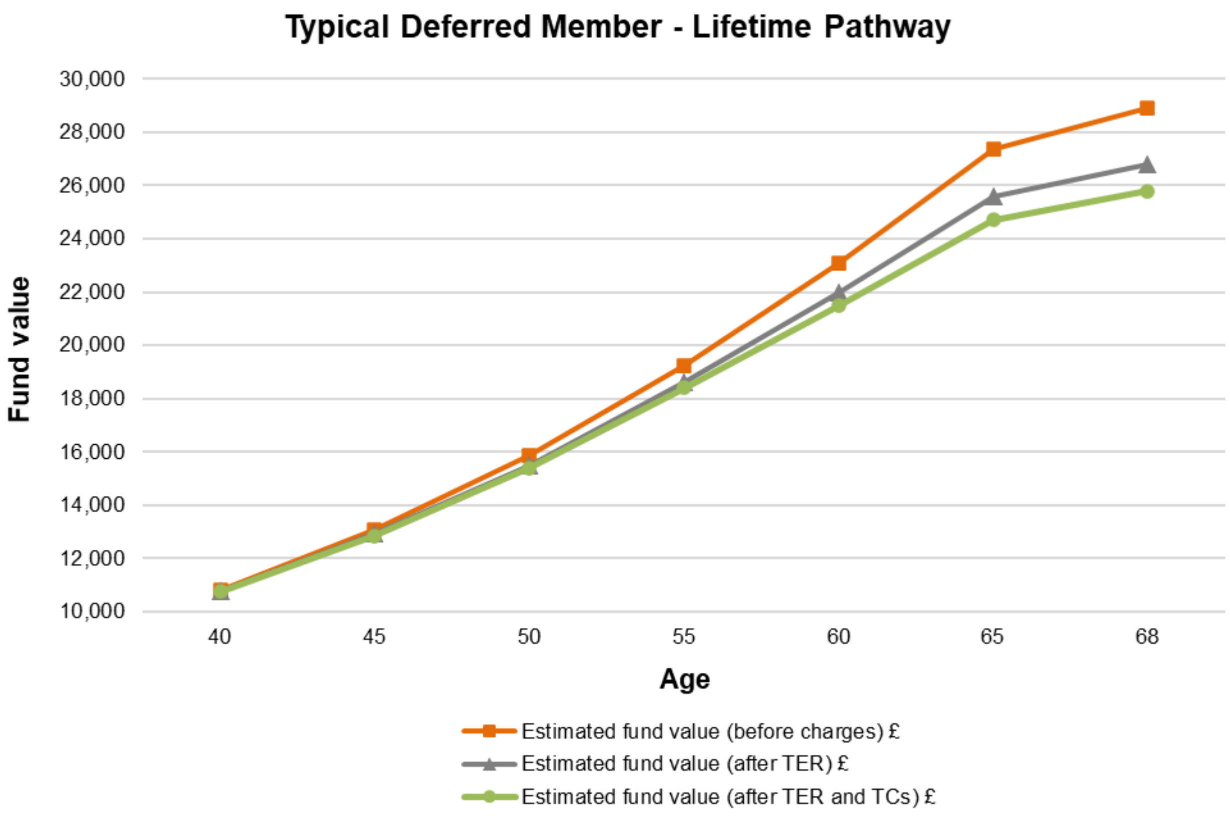
Illustration B: is based on an existing Fund member who has 27 years to go until their retirement at age 68. The member has a current salary of £41,300 and has future contributions of 15% of salary. The member has a current fund value of £17,100.



Projected Pension Account in today's money			
Age	Default Option - Lifetime Pathway		
	Before charges	After charges	Effect of charges
	£	£	£
41	17,100	17,100	0
45	46,410	46,060	350
50	90,000	88,640	1,360
55	142,910	139,540	3,370
60	204,850	195,790	9,060
65	276,110	257,870	18,240
68	310,220	288,050	22,170

Projected Pension Account in today's money *(Comparison Funds)*						
Age	**Pre-Retirement to Annuity Fund**			**Blended Assets Fund**		
	Before charges	**After charges**	**Effect of charges**	**Before charges**	**After charges**	**Effect of charges**
	£	£	£	£	£	£
41	17,100	17,100	0	17,100	17,100	0
45	42,910	42,730	180	45,960	45,130	830
50	76,840	76,210	630	88,240	85,050	3,190
55	112,710	111,350	1,360	138,650	131,150	7,500
60	150,640	148,240	2,400	198,750	184,420	14,330
65	190,750	186,960	3,790	270,390	245,940	24,450
68	215,910	211,110	4,800	319,830	287,350	32,480

Illustration C: is based on a deferred member (a member who is no longer making contributions into their Pension Account) who has 30 years to go until their retirement at age 68. The member has a current fund value of £10,000.



Projected Pension Account in today's money			
Age	**Default Option - Lifetime Pathway**		
	Before charges	**After charges**	**Effect of charges**
	£	£	£
38	10,000	10,000	0
40	10,800	10,750	50
45	13,090	12,860	230

50	15,880	15,390	490
55	19,260	18,410	850
60	23,090	21,480	1,610
65	27,370	24,700	2,670
68	28,890	25,800	3,090

Projected Pension Account in today's money *(Comparison Funds)*						
Age	**Pre-Retirement to Annuity Fund**			**Blended Assets Fund**		
	Before charges	**After charges**	**Effect of charges**	**Before charges**	**After charges**	**Effect of charges**
	£	£	£	£	£	£
38	10,000	10,000	0	10,000	10,000	0
40	10,230	10,200	30	10,730	10,590	140
45	10,810	10,700	110	12,790	12,240	550
50	11,430	11,240	190	15,250	14,140	1,110
55	12,090	11,790	300	18,180	16,330	1,850
60	12,780	12,380	400	21,670	18,860	2,810
65	13,520	13,000	520	25,840	21,790	4,050
68	13,980	13,380	600	28,710	23,760	4,950

Members are advised to consider both the level of costs and charges and the expected return on investments (i.e. the risk profile of the fund) in making investment decisions.

Assumptions and data used for illustrations:

The following assumptions have been made for the purposes of the above illustrations:

- *Inflation is assumed to be 2.5% per annum*
- *The starting fund values and future contributions used in the projections are a representative of the average for the Fund*
- *The projected annual returns on assets above inflation and net of charges are:*
  - *Equities* *4.25% p.a.*
  - *Blended Assets* *3.00% p.a.*
  - *Growth* *3.75% p.a.*
  - *Pre-Retirement to Cash* *0.50% p.a.*
  - *Pre-Retirement to Annuity* *1.00% p.a.*

  For the Lifetime Pathway the projection takes into account the changing proportion invested in the different underlying funds. Growth, Equities, Blended Assets and Pre-retirement to Cash are all underlying funds of the Lifetime Pathway.
- *The transaction costs have been averaged over a 5-year period in line with statutory guidance to reduce the level of volatility, and a floor of 0% p.a. has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time.*
- *Member data used is as at 1 January 2023 with salary data being as at 31 March 2022.*

4. Value for members assessment

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

There is no legal definition of "good value" or the process of determining this for the Fund. Therefore, working in conjunction with our investment advisors, the Trustee has developed their cost-benefit analysis framework in order to make an assessment as to whether our members receive good value from the Fund relative to the costs and charges they pay.

The costs have been identified as TERs, Transaction Costs and are set out in section 3 of this statement. The charges for the DC Section investment options are lower than those for similar schemes when benchmarked against market data.

The Trustee has considered the benefits of membership under the following five categories: governance, investments, administration, member communications and retirement support. Benchmarking relative to other pension arrangements or industry best practice guidelines is also undertaken.

The Trustee's beliefs have formed the basis of the analysis of the benefits of membership. These are set out below along with the main highlights of their assessment.

Governance

The Trustee believes in having robust processes and structures in place to support effective management of risks and ensure members interests are protected, increasing the likelihood of good outcomes for members

- The Trustee has suitable governance monitoring in place and regularly reviews and updates its governance processes and procedures to make sure these meet industry best practice.
- Core financial transactions and other key governance metrics are monitored quarterly, and DC related risks are captured in, and monitored through the risk register. Investment performance of the DC Section funds is reported on and reviewed quarterly and the legacy AVC funds are reviewed regularly.
- The Trustee board has delegated specific duties to several sub committees.
    - The Defined Contribution Committee ("DCC") meet at least quarterly and focus their time on DC matters.
    - The Governance and Compliance Committee ("GCC") meet at least quarterly to discuss all administration and governance aspects in which DC is a standing item.
    - Various Working groups have also been set up who are responsible for progressing specific projects (e.g., TCFD Working Group).
    - Any discussion and decision making that takes place at either of the above sub-committees is reported back at the main Trustee Board meeting.
- The Nestlé Investment Team also attend meetings to support the Trustee with any decision making alongside Trustee advisors.

Investments

The Trustee believes that a well-designed investment portfolio that is subject to regular performance monitoring and assessment of suitability for the membership will make a large contribution to the delivery of good member outcomes

- The Fund offers a lifestyle arrangement targeting cash at retirement which the Trustee believe is in line with how the majority of members will look to take their DC Section assets in the near future. A suitable range of alternative standalone self-select funds on the risk/return spectrum are also available to members.
- The investment options available have been designed, following advice from the Trustee's investment advisor, with the specific needs of members in mind.
- The DCC reviews the performance of the Default Option and self-select funds against its aims, objectives and policies on a quarterly basis, based on reports received from their investment advisor. This review includes an analysis of fund performance against benchmarks and/or targets agreed with the investment manager.

- Performance of the Default Option is also reviewed on a quarterly basis against thresholds and targets set by the DCC.
- The DCC also receive more regular reporting during times of market stress and volatility, for example, following the former UK Chancellors “mini-budget”.

Administration

The Trustee believes that good administration and record keeping play a crucial role in ensuring that DC members receive the retirement income due to them. In addition, that the type and quality of service experienced by members has a bearing on the level of member engagement.

- The Fund has an in-house administration team, Nestlé Pensions.
- The Trustee obtains information to assess the member experience through key performance indicators and regular administration meetings with Nestlé Pensions, to monitor standards of administration and record keeping for the DC section of the Fund. In line with section 5 below, the Trustee is comfortable with the quality and efficiency of the administration processes.
- The Trustee receives confirmation from Nestlé Pensions of the current position with regards to common and conditional data checks and any amendments which may be required to rectify gaps in data. Common data checks are carried out quarterly and conditional data checks are carried out annually.
- The Fund’s internal controls are monitored in regular administration meetings with Nestlé Pensions. The Fund’s auditors also carry out a benefits audit on an annual basis.

Member Communications

The Trustee believes that effective member communications and delivery of the right support and tools helps members understand and improve their retirement outcomes.

- Members of the Fund have online access to their pension and information via the Fund website. A member helpline is available, and the member experience is monitored through monthly call statistics and complaint details.
- The Trustee, Nestlé Investment Team and investment advisor works with Nestlé Pensions to design, develop and issue communications. The Fund provides members with clear, regular communications, benefit statements and 'at retirement' communications.
- The Trustee also provides members with an annual newsletter as well as an annual benefit statement detailing information about the Fund and wider pensions information.
- Members have access to modelling tools and supporting information through the Fund website. The tools allow for members to set retirement goals, access contribution requirements and get an indication of income in retirement.

Retirement Support

The Trustee believe it is important to have retirement processes that enable members to make informed decisions and select appropriate option(s) at retirement.

- Members are provided with information on approaching retirement including a personalised illustration for members.
- Members are also provided with financial planning tools via the website to assist with their pension planning.
- At retirement support and guidance is currently provided to members via Origen Financial Services. If members have their own Independent Financial Advisor in place, Nestlé will also meet some of this cost.
- Nestlé also provides members with access to annuity broking via Hargreaves Lansdown. This is an open market service which compares different annuity options available and also supports members in the selection and purchasing of an annuity should they choose to do so.

In recognition of the above, the Trustee assessment concluded that the charges and transaction costs borne by Fund members represents good value for members relative to the benefits of Fund membership.

Note in relation to legacy AVCs held with Standard Life

The DCC carried out a review of the Standard Life legacy AVC arrangement in February 2023. While there are features of the With Profits Funds held in the arrangement that are beneficial to members, there are no guaranteed returns and both With Profits Funds have a relatively high annual charge. The DCC plan to carry out further quantitative analysis to assess the benefits of transferring members with legacy AVC funds into the main DC Section held with Fidelity. More information on this will be provided in due course and ahead of any proposed transfers.

5. Processing of Core Financial Transactions

The Trustee has a specific duty to ensure that core financial transactions are processed promptly and accurately. Core financial transactions include the investment of contributions, transfer of member funds into and out of the Fund, transfers between different investments within the Fund and payments to and in respect of members/beneficiaries.

The majority of the core financial transactions are undertaken on behalf of the Trustee by the Fund administrator, Nestlé Pensions. The Company is responsible for ensuring that contributions are paid to the Fund promptly and accurately. The timing of such payments is monitored by the Trustee from quarterly administration reports submitted by Nestlé Pensions.

In order to determine how well Nestlé Pensions is performing, the Trustee has service level agreements ("SLA") in place with Nestlé Pensions. These SLAs detail a number of key administration processes to be performed and the target timescale within which each of these processes needs to be completed. There are SLAs in place for all core financial transactions. Under the current SLA, Nestlé Pensions aims to accurately complete all activities within different time frames, depending on the criticality and complexity of the task. The agreement for time critical processes such as investment of monthly contributions is three working days from receipt, and the SLA target increases to 20 working days for more complex member enquiries such as transfer out settlements.

The Trustee have also reviewed the key processes adopted by the administrator and output in order to minimise the risks of inaccurate or late payment of core financial transactions. Key processes include:

- Provision of quarterly administration reports from Nestlé Pensions to the Trustee including information regarding: member statistics; payment schedules and contribution summary; service level analysis; Trustee discretions; member complaints; and any errors. This enables the Trustee to check core financial transactions and review processes relative to any member complaints made.
- The DC processing team performing a reconciliation of monthly contributions between the pension administration system and the platform provider, Fidelity. Strict review process for all core financial transactions, including checks for all investment and banking transactions prior to processing and authorised by separate individuals within Nestlé Pensions Account and Member Services teams.
- The DC processing and accounts teams monitoring the DC bank account each day and reconciling the DC bank account each month. Ongoing staff training on the processing of core financial transactions, including the use of a training log to monitor progress of training against case types.
- An annual benefits audit is undertaken by the Fund's auditor.

In addition, Nestlé Pensions meets with the GCC on a quarterly basis to discuss the administration of the Fund. These meetings provide an opportunity to discuss any issues that might arise.

The Trustee are satisfied that over the period:

- Nestlé Pensions were operating appropriate procedures, checks and controls and operating within the agreed SLA; over the 12 months to 31 December 2022, Nestlé Pensions met the SLA requirements with over 96% of activities completed within the service target levels.

- there have been no material administration errors in relation to processing core financial transactions; and
- all core financial transactions have been processed promptly and accurately during the Fund Year.

Standard Life AVC arrangements

The Trustee has received statements from Standard Life on their business continuity and business resilience policy. Whilst the Trustee has not received specific information relating to core financial transactions from Standard Life, we have received their internal controls report. From the information received, the Trustee is satisfied that the processes and audit procedures in place ensure that all core financial transactions relating to the AVC arrangement are processed in an accurate and timely manner.

6. Trustee Knowledge and Understanding

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

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 Board Directors have access to this.
- a working knowledge of the current SIP through the ongoing conduct of Fund business.
- a working knowledge of all documents setting out the Trustee Board's current policies - for example, the Trustee Board 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 Board and the decisions the Trustee Board will be making is provided as work is progressed and decisions are taken. The Defined Contribution Committee (DCC), which is a sub-committee of the Trustee Board, received training on specific investment types, emerging market and impact investments. The DCC has shared updates relating to its training with the whole Trustee Board.
- sufficient knowledge and understanding of the relevant principles relating to the investment and governance of DC 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 looked 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 Board. 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. This is implemented and overseen through a Board effectiveness working group, through which the Trustee Board has embedded a culture of continuous review and improvement of TKU.

Trustee Board 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 the Trustee Board effectiveness working group was established with a remit of reviewing the current processes and suggesting alterations where appropriate.

The Board Effectiveness Working Group met 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:
    - In the flow training – particularly to ensure consistent and progressive training on complex projects
    - Broadening individual Trustees exposure by attending a sub-committee meeting where they are not actually a member of the sub-committee
    - Sharing the load by taking the lead on a topic that the individual Trustee is particularly keen on
- There was a lot of support available from the advisers as well as the Nestle Pensions team
- Meetings had been structured to be a mix of virtual and in person which had proved effective
- Feedback would be requested in order to continually improve the ways of working

Role of the Defined Contribution Committee

In addition to the Trustee Board having an effective knowledge and understanding of the DC benefits, the Trustee Board has a sub-committee which is given a number of responsibilities in respect of defined contribution benefits provided by the Fund. The purpose of the DCC is to allow the Trustee Board to allocate resources effectively and so that where DC focus is valuable, a group that is dedicated to considering DC issues is available.

The Chair of the DCC reports to the Trustee Board on DC matters during the quarterly main Trustee Board meetings. This ensures that in addition to the specialist knowledge, which is contained within the DCC, collectively the Trustee Board has good knowledge and oversight of the defined contributions aspects of the Fund.

Where necessary, and always in the event of high level strategic decisions the DCC refers matters to the Trustee Board.

[In the Fund Year the terms of reference for the DCC, which holds certain delegated decision making powers and responsibilities relating to DC benefits, were reviewed and updated.. The responsibilities of the DCC include:

- Ensuring there is an appropriately designed default investment strategy for auto enrolment and members who prefer not to choose their own investments.
- Ensuring that the investment options take account of the range of member risk profiles and needs, and are designed appropriately. This includes setting the number and types of self-select funds which are made available to members.
- Setting the strategy to achieve asset allocation objectives.]

Trustee Board Development Days

During the year there were 2 Trustee Board development days, run on 6 June and 28 November 2022. The first of these days was heavily focussed on Net Zero issues and covered areas such as:-

- Understanding the Trustees fiduciary responsibility and how Net Zero could be incorporated within the duty to meet members' benefits.
- An external perspective on Net Zero provided by the Head of Investor Relations at Shell.
- Reasons to adopt a Net Zero target and how and when could this be achieved.
- Applying Net Zero to DC Schemes.

The second day looked at:-

- The impact of the turmoil in gilt markets following the “mini-budget” in September.
- How the Board works when under pressure or dealing with complexity.
- A review of development actions and changes that could be made to the way in which the Trustee Board works in 2023.

Advice obtained

Over the Fund Year, the Trustee Board received advice on investment matters from Hymans Robertson (until they were replaced by Aon in August), legal matters from Sackers and other issues from other advisers as necessary. The Trustee Board’s advisors attended Trustee 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 Board 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 Board’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 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 18 May 2022 and 22 November 2022. In addition a DC specific strategy day took place on 8 November 2022 and this covered governance and effective decision-making, the setting of DC objectives and the options available to members at retirement.

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 Board 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 Head of Investment and Risk 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. 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.

As previously mentioned, the Chair of the Trustee Board 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 Board effectiveness will be undertaken during 2023 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 areas where they would find additional training helpful) 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 and development 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 Board to properly exercise its function 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 of the Nestlé UK Pension Fund by the Chair of Trustees

Name	Signed	Date
Steve Delo		27 April 2023

Nestlé UK Pension Fund (DC Section) Statement of Investment Principles

April 2023

1. Introduction

1.1. Document Purpose

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 of 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.

1.2. 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. This includes 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 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.

[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.

1.3. 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 the Investment Implementation Document (“IID”). Both the SIP and the IID should be read in conjunction.

2. Investment Beliefs

2.1. 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 – the Trustee - 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 strategic 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.

2.2. Responsible Investment

- Environmental, social and corporate governance considerations including but not limited to 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.
- Engagement is the preferred means of aligning the Fund's investments with the goals of the Trustee, but the Trustee will retain the right to follow an exclusion and divestment strategy where engagement fails to yield meaningful alignment and where consistent with the Trustee's fiduciary duties.
- Achieving alignment with the goals of the Paris Agreement2 is likely to be in the long-term financial interests of the Fund and its members and the Trustee will incorporate consideration of this goal into strategic decision making.
- ESG factors will become increasingly financially material and an important factor in strategic decision making. The Trustee recognises that there is ongoing development in the understanding of these

[2] The 2015 Paris Agreement is an international treaty on climate change. Its goal is to substantially reduce global greenhouse gas emissions and to limit the global temperature increase in this century to 2 degrees Celsius while pursuing means to limit the increase even further to 1.5 degrees, compared to pre-industrial levels. You can read more about this here: https://www.un.org/en/climatechange/paris-agreement.

factors overall and the financial impact they can have. Therefore, the Trustee will endeavour to evolve its thinking over time to further incorporate future developments in this area.

3. Investment Objectives

3.1. 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.

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

Further information on the Default Option and the self-select investment options is given in sections 3.2 and 3.3 respectively.

3.2. 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 the 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.

The Fund's 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 taking cash at retirement and / or UFPLS for a few years into retirement. This reflects the way in which the majority of members will choose to take their DC benefits that are held within the Fund.

3.3. 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 self-select investment options are offered 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.

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.

3.4. 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.

3.5. 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

4.1. 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.

4.2. 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.

4.3. 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.

5.1. 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.

5.2. 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.

5.3. 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 monitor 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.

7.1. 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.

7.2. 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.

8.1. Stewardship

The Trustee has delegated all voting and engagement activities to the Fund's investment managers. The Trustee accepts responsibility for how the manager stewards assets on its behalf, including the casting of votes in line with each managers' individual voting policies. The Trustee reviews manager voting and engagement policies on an annual basis to ensure they are in line with the Trustee's expectations and in members' best interests. Prospective investment managers are also required to provide this information for the Trustee to review in advance of any new appointment.

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 six core ESG themes which have been selected 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. The core ESG themes are:

- Environment
- Climate Change
- Human Rights

- Labour Rights
- Corporate Governance
- Corruption

The core themes are kept under review by the Trustee and may be updated or added to periodically. Further detail on the core ESG themes selected can be found in Appendix 2 of this Statement.

Should the Trustee's monitoring process reveal that a manager's voting and engagement policies and actions are not aligned with the Trustee's expectations, the Trustee will engage with the manager to discuss how alignment may be improved. 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.

8.2. 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 responsible investment policy which sets out its approach on addressing the risks and opportunities of climate change in more detail as well as wider ESG risks and opportunities.

As part of this policy, the Trustee has developed a monitoring process, which includes the setting of climate change-related goals/targets for the Fund, in support of the Trustee's commitment to manage and integrate the consideration of these issues within the Fund. As part of this process, the Trustee incorporates the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") by producing and publishing a TCFD-aligned report on an annual basis.

Recognising the importance of the transition to a net zero economy, the Trustee has set an overall ambition of reaching net zero portfolio emissions by 2050, in line with the 2015 Paris Agreement.

To help fulfil this ambition, the Trustee has set an interim target to achieve 60% of financed emissions in companies assessed as:

1. Having a verified Paris Aligned temperature pathway; or
2. For high impact companies that are flagged as not having a Paris-Aligned pathway, ensuring these companies are subject to structured engagement.

This target currently applies to NUKPF's public equity and corporate bonds and the timeframe for achieving this target is 2027. The target will be reviewed periodically.

8.3. 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.

9.1. 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 switches 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.

9.2. 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.

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		27 April 2023

Name	Signed	Date
Andrew Bayliss		28 April 2023

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.

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.

Appendix 2 – Our Core Responsible Investment Themes

The Trustee has selected six core ESG themes based on advice as to their likely financial materiality to the Fund and alignment with the United Nations Global Compact principles[3] (as indicated below).

Environmental	**Social**	**Governance**
1. Environment Businesses should support a precautionary approach to environmental challenges; Undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies. UN Global Compact Principles 7, 8, 9.	**3. Human rights** Businesses should support and respect the protection of internationally proclaimed human rights; and make sure that they are not complicit in human rights abuses. UN Global Compact Principles 1, 2.	**5. Corporate governance** Businesses should adhere to and promote the tenets of good corporate governance.
2. Climate change Businesses should have a policy and process(es) for managing climate-related risks and opportunities.	**4. Labour** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced and compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation. UN Global Compact Principles 3, 4, 5, 6.	**6. Corruption** Businesses should work against corruption in all its forms, including extortion and bribery. UN Global Compact Principle 10.

The Trustee uses the above six core themes to provide a focus of attention for the Trustee's engagement with the Fund's asset managers and the companies in which the Fund is invested. The Trustee, with input from Nestlé's Group Pensions Unit, has implemented regular reporting against these core themes. The core themes are kept under review by the Trustee and may be updated or added to periodically.

[3] The United Nations Global Compact is a non-binding United Nations pact to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. The UN Global Compact is a principle-based framework for businesses, stating 10 principles in the areas of human rights, labour, the environment and anti-corruption. You can read more about these here: https://www.unglobalcompact.org/

Nestlé UK Pension Fund (DC Section) Investment Implementation Document

April 2023

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 Fund's Head of Investment and Risk and the DC Committee (DCC).

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

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.

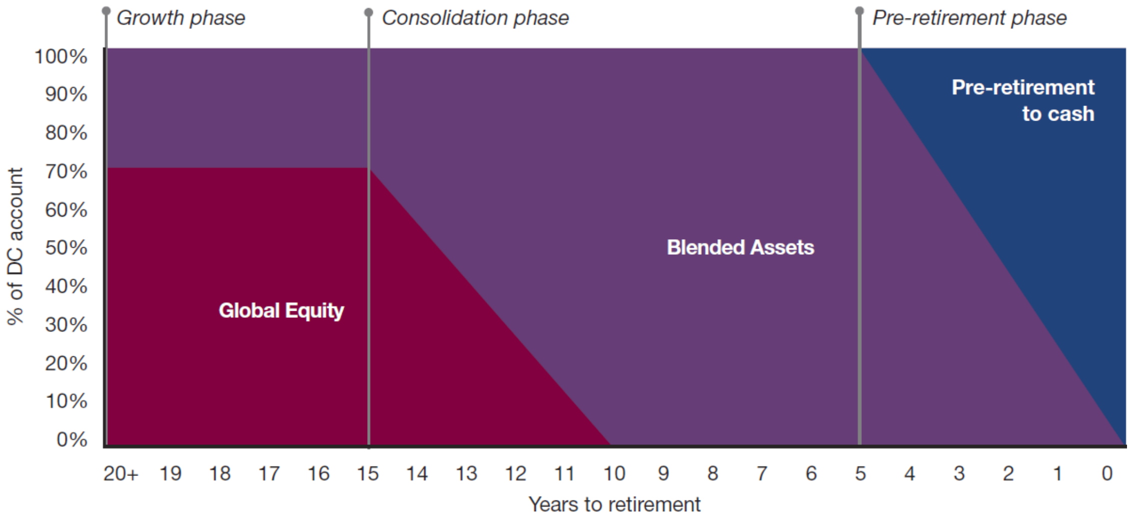
Based on this analysis, the Trustee believes that most members currently approaching retirement will want to take their retirement benefits as cash at retirement and / or UFPLS for several years into retirement and the Default Option, in particular the pre-retirement phase (see below for further details), 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	2% - 5% p.a.

**Return Target and Volatility Target correct as at December 2022.*

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 Appendix2 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 0.05%. The TERexcludes 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 September 2022.

5.3 Administration

The administration costs are borne by the employer.

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

Name	Signed	Date
Steve Delo		27 April 2023

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 investmentsare 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 Aon.

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 September 2022
Growth Fund*	Multi - Asset	BlackRock, State Street Global Advisors(SSgA), Schroders, PIMCO, Legal & General (L&G)	This fund aims to provide sustainable long-term returns. The fund will investin a broad range of assets including, but not limited to: equities, bonds, property, hedge funds and cash.	32.04% BlackRock ACS World Multi-Factor ESG Equity Tracker Fund 32.04% BlackRock ACS World ESG Equity Tracker Fund 11.44% PIMCO GIS Income Fund 11.25% Schroders Sustainable Future Multi Asset Fund 10.43% SSgA Emerging Markets ESG Screened Index Equity Sub-Fund 2.80% L&G All Stocks Gilt Index Fund	32.04% MSCI World Select Multiple Factor ESG Low Carbon Target Index 32.04% MSCI World ESG Focus Low Carbon Screened Index 11.44% Bloomberg Barclays U.S. Aggregate (GBP Hedged) Index 11.25% ICE BofA Sterling 3-Month Government Bill Index plus 3.5% 10.43% FTSE Emerging ex Controversies ex CW Index 2.80% FTSE Actuaries UK Conventional Gilts All Stocks Index	0.21%**
Equity Fund*	Equity	BlackRock, State Street Global Advisors(SSgA)	The Fund seeks to provide an investment return in excess of the performance of the benchmark	43% BlackRock ACS World Multi-Factor ESG Equity Tracker Fund 43% BlackRock ACS World ESG Equity Tracker Fund	43% MSCI World Select Multiple Factor ESG Low Carbon Target Index 43% MSCI World ESG	0.13%**

			over the long term.	14% SSgA Emerging Market Equity Index Fund	Focus Low Carbon Screened Index 14% FTSE Emerging ex Controversies ex CW Index	

Fund name	Asset Class	Fund manager	Objective	Underlying fund(s)	Benchmark	Total Expense Ratio (TER) as at 31 December 2022
Blended Assets Fund*	Multi - Asset	BlackRock, State Street Global Advisors(SSgA), Schroders, PIMCO, Legal & General.	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 orderto deliver the targeted investment return.	38.13% PIMCO GIS Income Fund 37.50% Schroder Sustainable Future Multi Asset Fund 6.45% BlackRock ACS World Multi-Factor ESG Equity Tracker Fund 6.45% BlackRock ACS World ESG Equity Tracker Fund 9.37% L&G All Stocks Gilt Index Fund 2.10% SSgA Emerging Markets ESG Screened Index Equity Sub Fund	38.13% Bloomberg Barclays U.S. Aggregate (GBP Hedged) Index 37.50% ICE BofA Sterling 3-Month Government Bill Index plus 3.5% 6.45% MSCI World Select Multiple Factor ESG Low Carbon Target Index 6.45% MSCI World ESG Focus Low Carbon Screened Index 9.37% FTSE Actuaries UK Conventional Gilts All Stocks Index 2.10% FTSE Emerging ex Controversies ex CW Index	0.39%**
Pre - Retirement to Cash Fund*	Cash	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	SONIA	0.14%

*These are blended funds. Underlying funds and allocations are shown in the table above. **Total Expense Ratio is as at 30 November 2022.

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 September 2022
Equity Fund*	Equity	BlackRock, 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.	43% BlackRock ACS World Multi-Factor ESG Equity Tracker Fund 43% BlackRock ACS World ESG Equity Tracker Fund 14% SSgA Emerging Market Equity Index Fund	43% MSCI World Select Multiple Factor ESG Low Carbon Target Index 43% MSCI World ESG Focus Low Carbon Screened Index 14% FTSE Emerging ex Controversies ex CW Index	0.13%**
Blended Assets Fund*	Multi-Asset	BlackRock, State Street Global Advisors (SSgA), Schroders, PIMCO, Legal & General.	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 activelymanaged by investment managers who make asset allocation decisions in order to deliver the targeted investment return.	38.13% PIMCO GIS Income Fund 37.50% Schroder Sustainable Future Multi Asset Fund 6.45% BlackRock ACS World Multi-Factor ESG Equity Tracker Fund 6.45% BlackRock ACS World ESG Equity Tracker Fund 9.37% L&G All Stocks Gilt Index Fund 2.10% SSgA Emerging Markets ESG Screened IndexEquity Sub Fund	38.13% Bloomberg Barclays U.S. Aggregate (GBP Hedged) Index 37.50% ICE BofA Sterling 3-Month Government Bill Index plus 3.5% 6.45% MSCI World Select Multiple Factor ESG Low Carbon Target Index 6.45% MSCI World ESG Focus Low Carbon Screened Index 9.37% FTSE Actuaries UK Conv Gilts All Stocks Index 2.10% FTSE Emerging ex Controversies ex CW Index	0.39%**

Fund name	Asset Class	Fund manager	Objective	Underlying fund(s)	Benchmark	Total Expense Ratio (TER) as at 30 September 2022
Pre-Retirement to Cash Fund	Cash	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	SONIA	0.14%
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	0.46%
Corporate Bond Fund	Corporate Bonds	Fidelity	This fund aims to provide both income and growth based on investment in non-government bonds. It has the freedom to investin 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	0.39%

Fund name	Asset Class	Fund manager	Objective	Underlying fund(s)	Benchmark	Total Expense Ratio (TER) as at 30 September 2022
Ethical Growth*	Multi-Asset	Legal & General	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 between that of equities and bonds. This is a passive fund which aims to invest 70% in equities and 30% in UK government bonds.	70% L&G Ethical Global Equity Index 15% L&G All Stocks Gilts Index Fund 15% L&G All StocksIndex-Linked Gilts Index Fund	70% FTSE4Good Global Equity Index 15% FTSE A All StocksGilts Index 15% FTSE A All Stocks Index-Linked Gilts Index	0.21%
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	0.13%

Fund name	Asset Class	Fund manager	Objective	Underlying fund(s)	Benchmark	Total Expense Ratio (TER) as at 30 September 2022
Pre-Retirement to Annuity	Annuity Purchase	Legal & General	The fund aims to provide diversified exposure to fixed interest assets, incorporating Environmental, Social and Governance considerations as part of the investment strategy, that reflect the investments underlying a typical traditional level annuity product.	100% Legal & General Future World Annuity Aware Fund	100% FTSE Annuities Index	0.14%
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	SONIA	0.14%
Shariah Fund	Equities	HSBC	This fund invests in shares of companies based across the globe that are consistent with Islamic investment principles as interpreted and laid down by the Shariah Committee. The aim of the fund is to create long-term capital appreciation. However, global shares can often experience times of heightened volatility. The fund is a passive fund which means that the shares are chosen to reflect the benchmark index of shares rather than relying on the investment	100% HSBC Islamic Global Equity Index Fund	Dow Jones Islamic Titans 100 Index	0.35%***

			manager to individually choose shares.			

*These are blended funds. Underlying funds and allocations are shown in the table above. **Total Expense Ratio is as at 30 November 2022. **Total Expense Ratio is as at 31 December 2022.

Creation of alternative "defaults"

Owing to the COVID-19 pandemic, the Property Fund was temporarily closed (on 17 March 2020) to the investment of new contributions and sales of existing investments by the fund manager and the Trustee agreed that it was in the best interests of members to temporarily redirect contributions to the Cash Fund without their consent. This resulted in the Cash Fund becoming a default arrangement in its own right whilst the Property Fund was closed. Members who were affected were written to.

The Property Fund has now re-opened (since 1 October 2020) and the Trustee agreed that members' future contributions should be redirected and holdingsin the Cash Fund should be transferred to the members' original choice of the Property Fund. The Cash Fund is no longer classified as an alternative defaultas a result.