STATEMENT OF INVESTMENT PRINCIPLES

THE ROCHE PENSION FUND

OCTOBER 2024

CONTENTS

1 Introduction

1.1 This document describes the investment policy being pursued by Roche Product Pension Trust Limited as the Trustee of the Roche Pension Fund. Reference to "the Fund" refers to the Roche Pension Fund. There is a separate document, the Statement of Investment Arrangements (the "SIA") which documents specific details in relation to the Fund's investments.

Pensions Act 2004

1.2 Under the Pensions Act 1995 (the "Act"), as amended, the Trustee is required to prepare a statement of the principles governing investment decisions. This document fulfils that requirement.

1.3 In preparing this Statement of Investment Principles (the "Statement"), the Trustee has consulted with the Sponsoring Company (the "Company") to the Fund. Under the requirements of the Act, the Trustee has also taken and considered written advice from its investment advisor, Mercer Limited ("Mercer"), whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

1.5 This document has also been drafted to comply with the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and subsequent legislation.

1.6 This Statement covers both the Defined Benefit ("DB") and Defined Contribution ("DC") Sections of the Fund.

Fund Details

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

1.7 The Fund's benefits are provided on a combination of a final salary (DB) basis and a money purchase (DC) basis. The Fund's assets are held under the legal control of the Fund's Trustee. The operation of the Fund is governed by the consolidated Trust Deed and Rules, dated May 2014, and any subsequent Deeds of Amendment.

2 Division of responsibilities

Trustee

2.1 The Trustee's responsibilities include:

- Reviewing annually the content of this Statement and without delay after any significant change in policy, modifying it if deemed appropriate and in consultation with the investment advisor;
- Reviewing the suitability of the investment policy following the results of each actuarial review (with regards to DB Section of the Fund), in consultation with the investment advisor;
- Deciding the Fund's overall investment strategy (implementation has been delegated to Mercer with regards to DB Section of the Fund, subject to ongoing Trustee review) and determining allowable asset classes within the permitted range of allocation. The list of allowable asset classes will be reviewed from time to time;
- Monitoring compliance of the investment arrangements within this Statement on an ongoing basis; and,
- Consulting with the Company before amending this Statement.

Investment Sub-Committee

2.2 The Investment Sub-Committee ("ISC") shall be primarily responsible for parameters that govern the implementation of the strategic investment policies of the Trustee. In this regard its powers will include:

- To review investment performance and monitor the Fund's investment managers;
- For the DC section of the Fund, to determine, in relation to each of the allowable asset classes, how many investment managers or pooled funds are to be selected and how the assets in that class are to be allocated between them;
- To select, allocate funds, to appoint, remove or disinvest from the investment managers (or pooled investment products) for each such asset class; and,

2.3 The ISC will be responsible for carrying out all of the responsibilities of the Fund, apart from responsibilities relating to the "Reserved Matters" set out in the Terms of Reference. Within the DB Section, the Trustee has chosen to delegate some of the above responsibility to Mercer. The level of delegation is defined within the parameters set out in the Investment Management Agreement ("IMA"), as amended in the form of a side letter from time to time, between the Trustee and Mercer as the provider of a Delegated Investment Solution ("DIS"). Further details are given in Section 3.

Investment Managers (DB assets)

2.4 Mercer as the DB Section's delegated investment manager has responsibilities which include:

- At their discretion, but within any guidelines given by the Trustee, implementing changes in the asset mix and selecting securities within each asset class;
- Providing the Trustee with quarterly statements of the assets along with a quarterly report on actions and future intentions, and any changes to the processes applied to their portfolios;
- Having regard to the need for diversification of investments so far as appropriate and to the suitability of investments;
- Giving effect to the principles contained in this Statement as far as reasonably practicable; and,

- Acting within the guidelines agreed as set out in the IMA with Mercer.

2.5 In addition to the funds managed by Mercer the Fund also holds ‘external assets’ with Alinda and BlackRock.

Custodian (DB assets)

2.6 The Fund invests predominantly in pooled funds, though holds some assets within a segregated mandate. Each of the pooled funds and the segregated mandate themselves have custodians. The custodian for all Mercer pooled funds invested by the Fund as well as the segregated Blackrock LDI mandate is State Street. The Fund also has holdings in the Blackrock UK Property Fund and an Alinda infrastructure fund, where the custodians are the BNP Paribas and Citibank respectively.

Platform Provider

2.7 For the DC, AVC and Bonus Choice sections of the Fund, the Trustee has appointed the Provider, Fidelity International Limited, to manage and administer the Fund’s assets on its behalf. The terms of the Provider’s appointment are contained in the policy of assurance issued by the Provider to the Trustee. The Provider’s responsibilities are also governed by applicable law. Each investment manager of the underlying funds made available under the policy of insurance has an IMA or re-assurance agreement with the Provider. In addition, the Provider will:

- Exercise the powers of investment with a view to complying with the content of this Statement, so far as reasonably practicable.
- Provide the Trustee with a quarterly statement of the assets and cash flows and a quarterly report on the results of past actions and any changes to the investment process and, where possible, on corporate actions and their future policies in that regard.
- Inform the Trustee of any changes in the performance objective or guidelines of any underlying funds used by the Fund as soon as practicable.

Investment Consultant

2.8 The investment consultant's responsibilities include:

- Participating with the Trustee in annual reviews of this Statement.
- Advising the Trustee, as requested, through consultation with the Scheme Actuary (in relation to the DB Section), how any changes within the Fund's benefits, membership, and funding position may affect the manner in which the assets should be invested.
- Advising the Trustee, as requested, on:
  - how any changes in the Investment Managers' organisations could affect the interests of the Fund;
  - how changes in the investment environment might present opportunities or challenges for the Fund;
  - how any changes in regulations and/or laws could affect the interests of the Fund; and,
  - the formulation of an efficient governance structure.
- Undertaking project work as requested including:
  - Assisting in Trustee education/training; and,
  - General advice in respect of the Fund's investment activities.

Scheme Actuary

2.9 The DB Section’s Scheme Actuary's responsibilities include, but are not limited to:

- Liaising with the Investment Consultant on the suitability of the Fund's investment strategy given the financial characteristics of the Fund; and,
- Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels.

Appointments

2.10 The Trustee has appointed Willis Towers Watson as Scheme Actuary to the Fund, and has appointed Mercer to provide a delegated investment solution for the Fund's DB Section (excluding Additional Voluntary Contributions ("AVCs")) and as investment consultant for the DC Section, including the management of the AVC assets.

Fees payable to advisers and investment managers

2.11 The investment manager fees for the Fund are charged as follows:

- DB Section: The fees paid to Mercer and the underlying managers within DIS are charged on an ad valorem basis as a percentage of the assets under management.
- DB Section: The Fund is subject to an additional fee for management of the segregated LDI portfolio.
- DC Section: The fund charges paid by the members are charged on an ad valorem basis as a percentage of the assets under management. The services provided by Mercer as the investment consultant for the DC Section of the Fund is remunerated through a mixture of time-based and fixed fees for specific projects.
- In addition, Willis Towers Watson as Scheme Actuary is remunerated through time-based fees for specific projects.

2.12 The Trustee believes that these fee structures are appropriate and in line with standard market practice.

Reporting to members

2.13 The Trustee will make this Statement available to members on request.

Business Plan

2.14 The Trustee has agreed a forward-looking business plan that highlights issues which will be considered / reviewed over the next 12 months. This will be reflected in the agenda for Trustee meetings and is designed to allow the Trustee to manage effectively the investment aspects of the Fund.

3 Defined Benefit Section

Process for Choosing Investments

3.1 The Trustee has appointed Mercer to act as discretionary investment manager, by way of Mercer's Dynamic De-risking Solution, to implement the Trustee's strategy whereby the level of investment risk reduces as the Fund's funding level improves. In this capacity, and subject to agreed restrictions, the Fund's assets are invested in multi-client collective investment schemes ("Mercer Funds"). The Mercer Funds are domiciled in Ireland (for traditional asset classes), and Luxembourg and the Cayman Islands (for private markets assets). The Ireland-domiciled collective investment schemes are managed by a management company (Mercer Global Investments Management Limited ("MGIM"), the Luxembourg-domiciled funds are managed by Mercer Alternatives (Luxembourg) S.à r.l and the Cayman Islands-domiciled funds are managed by MPIP III GP, LLC and, respectively, these entities have appointed Mercer Global Investments Europe Limited ("MGIE"), Mercer Alternatives AG ("Mercer AG"), and Mercer Investments LLC ("Mercer LLC") as investment managers of the Mercer Funds.

3.2 In practice, assets in the Mercer Funds are invested with third party fund managers based in countries such as Ireland, UK and USA. Mercer has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Fund's assets on a day to day basis.

3.3 In considering the appropriate investments for the Fund the Trustee has obtained and considered the written advice of Mercer, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Act (as amended).

3.4 For the avoidance of doubt, Mercer has been appointed to provide strategic investment advice, including delegation of the Trustee's asset allocation policy, for the Fund's DB Section.

3.5 In addition to the funds managed by Mercer, the Trustee also has holdings with the following external investment managers:

- Alinda Capital Partners; and
- BlackRock.

3.6 Further details are set out in the SIA.

Investment Objectives

3.7 The Trustee's primary objective is to invest the Fund's assets in the best interest of the members and beneficiaries. Within this framework the Trustee has agreed a number of objectives to help guide it in its strategic management of the assets and control of the various risks to which the Fund is exposed. The Trustee's primary objectives are as follows:

- To ensure that it can meet its obligations to the beneficiaries of the Fund;
- To achieve a funding position of the Fund on an economic basis of at least 100% over the long term;
- To monitor the progress in the funding level against pre-agreed levels; and
- To rebalance the investment strategy towards greater liability matching as and when improvements in the funding level arise.

3.8 The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee determines to be financially material considerations. Non-financial considerations are discussed in section 3.7.

Risk Management and Measurement

3.9 There are various risks to which any pension scheme is exposed. The Trustee's policy on risk management is as follows:

- The primary investment risk upon which the Trustee focuses is that arising through a mismatch between the Fund's assets and its liabilities and the Sponsor's ability to support this mismatch risk;
- The Trustee recognises that whilst increased risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Fund's accrued liabilities as well as producing more short-term volatility in the Fund's funding position;
- To control the risk outlined above, the Trustee, having taken advice, set the split between the Fund's Growth and Matching Portfolio such that the expected return on the overall portfolio is expected to be sufficient to meet the objectives outlined in Section 3.9. As the funding level improves, investments will be switched from the Growth Portfolio into the Matching Portfolio with the aim of reducing investment risk;
- Whilst moving towards the target funding level, the Trustee recognise that even if the Fund's assets are invested in the Matching Portfolio there may still be a mismatch between the interest-rate and inflation sensitivity of the Fund's assets and the Fund's liabilities due to the mismatch in duration between assets in the Matching Portfolio and actuarial liabilities.
- The Trustee recognises the risks that may arise from the lack of diversification of investments. To control this risk the Trustee has delegated the asset allocation decisions with the Growth and Matching Portfolios to Mercer (subject to certain restrictions). Mercer aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. Mercer provides the Trustee with regular monitoring reports regarding the level of diversification within the Trustee's portfolio;
- The Trustee invests in leveraged LDI funds to maintain the liability hedging without impacting on expected return but recognise that the use of leveraged LDI brings with it additional liquidity risks and requirements which can change over short periods of time with interest rate changes. The Trustee and Mercer review the Matching Portfolio as part of the regular reporting and strategy reviews, including consideration of the market stress buffer and governance.
- To help the Trustee ensure the continuing suitability of the current investments, Mercer provides the Trustee with regular reports regarding the performance of the underlying asset managers appointed within the relevant Mercer Funds to enable the monitoring of differences between the expected and experienced levels of risk and return.
- There is a risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustee.
- To help diversify manager specific risk, within the context of each of the Growth and Matching Portfolios, the Trustee expects that the Fund assets are managed by appropriate underlying asset managers.
- By investing in the Mercer Funds, the Trustee does not make investments in securities that are not traded on regulated markets. However, should the Trustee's Fund assets be invested in such securities, in recognition of the associated risks (in particular liquidity and counterparty exposure), such investments would normally only be made with the purpose of reducing the Fund's mismatch risk relative to its liabilities or to facilitate efficient portfolio

management. In any event the Trustee would ensure that the assets of the Fund are predominantly invested on regulated markets.

- The Trustee recognises the risks inherent in holding illiquid assets. The Trustee has carefully considered the Fund's liquidity requirements and time horizon when setting the investment strategy and liquidity risk is managed by ensuring illiquid asset classes represent an appropriate proportion of the overall investment strategy.
- The Trustee recognises that environmental, social and corporate governance concerns, including climate change, have a financially material impact on return.
- Mercer is responsible for the appointment of the custodian to the assets that are invested within the pooled vehicles Mercer manage. Mercer is also responsible for keeping the suitability of the custodians for its funds under ongoing review. The custodians for the external investment managers' pooled funds in which the Fund invests, who are included within the de-risking framework, but not managed or selected solely by Mercer are as follows:
  - Alinda Capital Partners – Citi Private Bank Preferred Custody Services
  - BlackRock UK Property Fund – Bank of New York Mellon
  - BlackRock Segregated LDI Mandate – State Street Custodial Services (Ireland) Limited
- Should there be a material change in the Fund's circumstances, the Trustee will advise Mercer who will review whether and to what extent the investment arrangements should be altered; in particular whether the current de-risking strategy remains appropriate.

Investment Strategy

3.10 A de-risking strategy has been designed for the Fund which relates the asset allocation to the Fund's economic funding level. The de-risking rule mandates the following practices:

- To hold sufficient growth assets to target full funding on an economic basis over the long term;
- To reduce the volatility in the funding level by reducing un-hedged liability exposures;
- To monitor the progress in the funding level and;
- To rebalance the investment strategy towards greater liability matching as and when improvements in the funding level arise.

3.11 The current de-risking strategy takes account of the Fund's initial funding level and expected contributions from the Company as per the current Schedule of Contributions.

3.12 The Fund adopts the de-risking strategy as set out in "Schedule 2 – Investment Guidelines" of the side letter to the IMA, which is repeated in the SIA.

3.13 Unless otherwise agreed, the de-risking strategy is formally reviewed by the Trustee on an annual basis with the assistance of Mercer, to review its appropriateness.

For the avoidance of doubt, the asset allocation will not be "re-risked" should the funding level deteriorate, i.e. assets will not be moved back to the Growth Portfolio from the Matching Portfolio, although rebalancing will occur as appropriate. Unless otherwise agreed, the investment strategy will be reviewed on an annual basis, to ensure that the triggers set remain appropriate, and will be amended if required.

3.14 Rebalancing ranges have been set around and within the growth and matching portfolios to ensure the Fund's assets remain invested closely in line with the target strategy. The ranges have been designed to ensure that unnecessary transaction costs are not incurred by frequent rebalancing, i.e. modest deviations from the target strategy are allowable.

3.15 Responsibility for monitoring the Fund’s asset allocation and undertaking any rebalancing activity is delegated to Mercer. Mercer will review the actual balance between the Growth and Matching Portfolios on an ongoing basis. If at any time the actual balance between the Growth and Matching Portfolio is deemed to be outside the appropriate tolerance range Mercer will seek to rebalance these allocations back towards the target allocations. The holdings with the external investment managers will not be part of such rebalancing. Although Mercer has discretion to vary the tolerance range, it is the intention that the Growth portfolio allocation will not drift by more than 5%, in absolute terms, away from the relevant target allocation.

3.16 In the event of a funding level trigger being breached, the assets will be rebalanced to bring them in line with the reduced growth portfolio weighting, under the new de-risking band, as defined in the Statement of Investment Arrangements

Realisation of Investments

3.17 The Trustee on behalf of the Fund hold shares in the Mercer Funds. In its capacity as investment manager to the Mercer Funds, MGIE, and the underlying third party asset managers appointed by MGIE, within parameters stipulated in the relevant appointment documentation, have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments.

Additional Assets

3.18 Prior to the closure of the DB Section, the Fund provided a facility for the DB Section members to pay AVCs to enhance their benefits at retirement. Members were offered the same range of funds as available to DC Section members in which to invest their AVC payments (see Section 4).

3.19 The Roche Lifestyle Strategy Targeting Cash has been selected as the default investment option for DB Section members who chose to pay AVCs, or either a DB or DC member who has elected to use Bonus Choice and, in either case, has not made their own investment choice.

3.20 Under the terms of the trust deed the Trustee is responsible for the investment of any Additional Voluntary Contributions paid by members. The Trustee reviews the investment performance of the chosen providers as appropriate and take advice as to the providers’ continued suitability.

Environmental, Social, and Corporate Governance, Stewardship, and Climate Change

3.21 The Trustee believes that environmental, social, and corporate governance (“ESG”) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

3.22 As noted above, the Trustee has appointed Mercer to act as discretionary investment manager in respect of the Fund’s assets and such assets are invested in a range of Mercer Funds managed by MGIE.

3.23 The Trustee, Mercer, and MGIE support and expect asset managers appointed to manage the Mercer Funds which are registered with the Financial Conduct Authority to comply with the UK Stewardship Code and UK Corporate Governance Code, including public disclosure of compliance via an external website. An assessment of each manager's compliance against the seven underlying principles of the UK Stewardship Code is part of MGIE's review process of all underlying equity managers appointed to manage assets of the Mercer Funds in which the Fund invests. Those managers exercise voting rights and undertake engagement (collaborative or otherwise) in accordance with their own corporate governance policies.

3.24 The United Nations' Sustainable Development Goals ("SDGs") inform Mercer's long term investment beliefs and direct Mercer's and the Trustee's thinking when it comes to converting systemic risks into transformational investment opportunities as outlined in Mercer's Sustainability Policy.

3.25 The Fund's investment managers exercise voting rights and undertake engagement (collaborative or otherwise) in accordance with their own corporate governance policies.

3.26 The Trustee reviews the following reporting on an annual basis:

- The Mercer Sustainability Policy. In March 2021 the policy was a further updated in relation to sustainability–related disclosures in the financial services sector ("SFDR") implementation. In August 2022 the policy update reflected enhancements to the approach to climate change modelling and transition modelling, additional detail on how the policy is implemented, monitored and governed and, as part of the commitment to promote diversity, finalising MGIE's signatory status to the UK chapter of the 30% Club.
- Stewardship monitoring reporting which assesses each underlying equity manager's record of executing and disclosing voting activity, and the extent to which they are engaging with the underlying companies in which they invest. These details are included in the Engagement Implementation Policy Statement as part of the annual report and accounts and is available online.
- Where available, ESG ratings of all asset managers versus the asset class universe ESG ratings. In addition, ESG ratings are disclosed in the quarterly performance report which is reviewed by the Trustee. ESG ratings are assigned by Mercer (and its affiliates') global manager research team.
  Carbon footprint analysis versus the index on the Mercer equity portfolios the Fund invests in and other relevant asset classes where data is avaliable. In addition, Mercer's Climate Change Management report highlights the approach to the TCFD framework in more detail, including example analysis on strategy and targets and metrics.

3.27 The Trustee has and will continue to consider sustainability themed investments.

3.28 The Trustee produces a Taskforce for Climate Related Financial Disclosures ("TCFD") report on an annual basis which details the Trustee target to reduce carbon emission intensity associated with its total portfolio by at least 45% (from 2019 levels) by 2030 and reach net zero by 2050, which is currently understood to be consistent with limiting global warming to 1.5 degrees above pre-industrial levels.

Member views

3.29 Member views are not taken into account in the selection, retention and realisation of investments.

Investment Restrictions

3.30 The Trustee has not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

Trustee's policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs

3.31 When engaging Mercer as discretionary investment manager to implement the Trustee's investment strategy outlined in section 3.10 to 3.16, the Trustee is concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Fund, in particular, long-term liabilities.

3.32 As Mercer manages the Fund's assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, the Trustee accepts that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds but the Trustee expects Mercer to manage the assets in a manner that is consistent with the Trustee's overall investment strategy as outlined in section 3.10 to 3.16. The Trustee has taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.

3.33 Should Mercer fail to align its investment strategies and decisions with the Trustee's policies, it is open to the Trustee to disinvest some or all of the assets invested managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer's appointment.

3.34 To evaluate performance, the Trustee receives**,** and consider, investment performance reports produced on a quarterly basis, which presents performance information and commentary in respect of the Fund's funding level and the Mercer Funds in which the Trustee is invested. Such reports have information covering fund performance for the previous three months, one-year, three years and since inception. The Trustee reviews the absolute performance and relative performance against a portfolio's and underlying investment manager's benchmark (over the relevant time period) on a net of fees basis. The Trustee's focus is on the medium to long-term financial and non-financial performance of Mercer and the Mercer Funds.

3.35 Neither Mercer, MGIE Mercer AG or Mercer LLC make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE, Mercer AG and Mercer LLC to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustee is*,* however, able to consider Mercer's and MGIE's assessment of how each underlying third party asset manager embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustee's own responsible investment policy. This includes the asset managers' policies on voting and engagement. The ESG Section provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund's investment objectives or the policies of the Fund.

3.36 The asset managers are incentivised as they will be aware that their continued appointment by MGIE, Mercer AG and Mercer LLC may be based, at least in part, on their success in meeting expectations.

3.37 The Trustee is a long-term investor and is not looking to change their investment arrangements on an unduly frequent basis. However, the Trustee does keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above.

3.38 The Trustee monitors, and evaluate, the fees it pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives. Mercer's, and MGIE's, fees are based on a percentage of the value of the Fund's assets under management which covers the design and annual review of the de-risking strategy, and investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

3.39 Mercer AG and Mercer LLC fees are charged based on net commitment for the first four years following the final close and, thereafter, by reference to the Net Asset Value of the Mercer Fund.

3.40 MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Fund. Mercer's, MGIE's, Mercer AG and Mercer LLC's and the third party asset managers', fees are outlined in a quarterly investment strategy report prepared for the Trustee, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.

3.41 Details of all costs and expenses are included in the Mercer Fund's Supplements, the Report & Accounts and within the Fund's annualised, MiFID II compliant Personalised Cost & Charges statement. The Fund's Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Mercer Funds.

3.42 The Trustee does not have an explicit targeted portfolio turnover range, given the de-risking mandate, but rebalancing ranges have been designed to avoid unnecessary transaction costs being incurred by unduly frequent rebalancing. Other that in respect of private markets investments where turnover in the Mercer Funds does not usually apply, performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying investment managers undertaken by MGIE.

4 Defined Contribution Section

Objectives and long term policy

Introduction

4.1 The Trustee has drawn up this DC Section of the Statement of Investment Principles ("the Statement") to comply with the requirements of the Act, as amended. The Statement is intended to affirm the investment principles that govern decisions about the Fund's investments.

4.2 As required under the Act, the Trustee has obtained appropriate advice through its Investment Consultant, Mercer. In preparing this Statement, they have also consulted Roche Products Limited, as Sponsor of the Fund.

Process for Choosing Investments

4.3 In considering the appropriate investment options for the Fund the Trustee has obtained and considered the advice of Mercer, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of the Act.

4.4 For the avoidance of doubt, Mercer has been appointed to provide investment advice for the Fund's DC Section and does not provide delegated services for this section.

4.5 In choosing the Fund's investments, the Trustee takes account of all factors that it deems financially material over the relevant time horizons for the Fund's membership. As a result, the Trustee makes available a range of lifestyle investment strategies reasonable for any member not willing or able to make his/her own investment strategy decisions, as well as self-select options for members that wish to create bespoke portfolios specific to their individual circumstances. Environmental, Social, and Corporate Governance (ESG) factors are also considered by the Trustee and are set out in more detail from paragraph 4.31 onwards.

Objectives

4.6 The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives. The Trustee also recognises that members have different attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances. The Trustee regards its duty as making available a range of investment options sufficient to enable members to tailor their investment strategy to their own needs.

4.7 The Trustee also recognises that some members may not feel confident enough to make investment decisions. As such the Trustee makes available a default investment option. Further information on the default investment option is included in Section 5.

4.8 In determining which investment options to make available, the Trustee has considered the investment risk associated with Defined Contribution pension investments. The risk can be defined as the uncertainty in the ultimate amount of savings available to provide retirement benefits. There are a number of factors, which contribute to this uncertainty. Some of these factors (such as the amount of contributions paid and the length of time these contributions are invested) cannot be managed by the investment options made available to members.

Risks

4.9 The Trustee recognises that the investment of assets in financial markets results in an exposure to risk. Risk can be defined in a number of ways.

4.10 The main risks that the Trustee considers and the Trustee's objective for each risk are described under the following headings. The Trustee recognises that this list is not exhaustive, however, the uncertainty inherent in investment risks can be managed to an extent by the choice of investment options.

- **Inflation Risk –** The risk that investments do not provide a return at least in line with inflation, such that the "purchasing power" of the ultimate fund available to provide benefits is not maintained. The Trustee's objective is to provide investment options, which are expected to provide a long-term rate of return that exceeds inflation. Based upon historical investment performance and their link to economic conditions, such options would largely consist of "equity-type" investments. Therefore, equity funds are offered to members.
- **Capital Risk –** The risk that the monetary value of a member's account falls. The Trustee's objective is to provide investment options where the asset value is unlikely to fall except in abnormal market conditions. A Money Market fund is an example of such an option that is offered to members.
- **Interest Rate / Pension Conversion Risk –** For those members who wish to purchase an annuity benefit at retirement, this is the risk that annuity rates fluctuate as a member approaches retirement. The Trustee's objective is to provide an investment option which aims to reflect trends in annuity pricing and improve potential outcomes for those buying annuities at retirement. Therefore, a specialist pre-retirement fund is offered to members.
- **Manager risk –** The risk of returns from day-to-day management not meeting expectations. This will lead to lower than expected returns to members. The Trustee believes active management skills exist, and may be appropriate for certain asset classes such as within multi-asset funds. In addition, the Trustee believes active management skills can be identified but not with complete certainty. As such the Trustee makes available to members both actively managed and passively managed funds. Further, the Trustee monitors fund manager performance on a quarterly basis and compares investment returns with the appropriate performance objective to ensure continuing acceptable performance.
- **Market risk** - The risk that low investment returns over members' working lives or unfavourable market movements in the years just prior to retirement could secure an inadequate pension. The Trustee manages this risk by offering a diversified range of investment options.
- **Currency risk** – The risk that arises from the change in price of one currency relative to another. The Trustee has made available a global equity fund that hedges the majority of its developed market currency exposure in order to manage the exchange rate risk associated with overseas investment.
- **Liquidity risk –** The risk that assets cannot be traded quickly enough in the market without impacting the market price. The pooled funds in which the Fund invests are believed to be readily redeemable.
- **Environmental, Social and Corporate Governance ("ESG") risk –** The risk that ESG factors can have a significant effect on the performance of the investments held by the Fund e.g. extreme weather events or poor governance. When making investment decisions, the Trustee will consider ESG information available to them as well as considering how ESG factors are integrated within investment processes when appointing new investment managers and monitoring existing investment managers. In addition, the

Trustee specifically incorporates a fund with strong ESG principles into the Default Investment Option as well as incorporating the Roche Global Sustainable Equity Fund in the general fund range.

4.11 Trade-Off Between Risks - The relative importance of each risk depends on the length of time to retirement and each member's attitude to risk and expected return. It is recognised that the control of one of the aspects of risk is often at the expense of another. For example, investing in a cash fund will give protection against a decrease in fund values (capital risk), but will most probably increase the inflation risk in terms of the "purchasing power" of the available funds at retirement. Therefore, funds of varying risk/return characteristics are offered to members.

4.12 Members have the potential benefit of good investment performance of their funds; equally they take the risks involved in poor investment performance. Whilst the Trustee has made available investment options based upon the general principles detailed above there is no guarantee that the investment option or options chosen will in fact cover the risks to which members are exposed. Individual circumstances, attitude to risk, and planned retirement age can vary considerably, and the Trustee does not offer direction to the members as to which fund or funds is appropriate for them.

4.13 The Fund’s DC Section assets are invested in regulated products that trade on regulated markets.

Investment Manager Arrangements

4.14 The Trustee has selected a range of investment options for members which offer a range of risk/reward characteristics. These funds are predominantly passively managed. Two actively managed multi-asset funds as well as a part actively managed global sustainable equity fund and a part actively managed global bond fund are also available.

4.15 The Trustee accesses the range of investment options via an investment platform provided by Fidelity International (‘Fidelity’). This investment platform is accessed through a long-term insurance contract between the Trustee and Fidelity. The Trustee does not have any direct contractual relationships with the underlying investment managers of the pooled funds accessed through the platform.

4.16 Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class in which they invest.

4.17 The Trustee considers its Investment Adviser’s forward-looking assessment of a manager’s ability to outperform over a full market cycle. This view will be based on an assessment of the manager’s idea generation, portfolio construction, implementation and business management in relation to the particular investment fund that the Plan invests in.

4.18 The Trustee will consider how ESG and stewardship are integrated into the investment process as well as ensuring fees are competitive within the asset class. The Trustee considers the Investment Adviser’s manager research ratings when taking decisions on selection and retention of manager appointments.

4.19 If the investment objective for a particular manager’s fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee’s wider investment objectives.

4.20 As the Trustee invests in pooled investment vehicles, it accepts that it has no ability to specify the risk profile and return targets of the manager, but appropriate mandates have been selected to align with the overall investment strategy.

Investment Options

4.21 As required by the Act, the Trustee's policy is to obtain advice on whether the funds chosen from the Fidelity platform (or any other investments chosen) by the Trustee themselves are satisfactory.

4.22 A list and description of the funds, which are currently offered, are set out in the SIA.

4.23 While no single option will be sufficient to manage the various risks associated with Defined Contribution pension investments as described in 4.10, the range is designed to be wide enough to enable individuals to manage the risks identified as they become relevant, according to each member's individual assessment of these risks.

4.24 The Defined Contribution Section provides lifestyle options referred to as 'Lifestyle Strategies'. The aim of the Lifestyle Strategies is to try to ensure that members' funds are invested in appropriate funds at the appropriate time, based on their age and the number of years until their selected retirement date. The Roche Flexible Retirement Lifestyle Strategy has been selected as the Default Investment Option for the Fund; further information on which is provided in Section 5. Further details regarding the Lifestyle Strategies are set out in the SIA.

4.25 As noted in 3.20, the Fund provided a facility for DB Section members to pay AVCs to enhance their benefits at retirement. Members were offered the same range of funds as available to DC Section members in which to invest their AVC payments. DC Section members also have the facility to pay AVCs to enhance their benefits at retirement via the same range of funds as those available to DC Section.

4.26 As noted in 3.21, in addition, for AVCs paid by DB Section members and Bonus Choice members, the Roche Lifestyle Strategy Targeting Cash has been selected as the default option which targets 100% cash at a member's selected retirement age. Details of the phased switching are set out in the SIA.

Diversification

4.27 The Trustee will maintain a suitably diverse range of funds, which in turn are considered to be appropriately diverse within their specific objectives. To minimise the risk of any one particular investment having a substantial effect on the Fund's overall investment performance the Trustee invests the Fund's assets in pooled funds, ensuring members' investments can achieve sufficient diversification and that investments may be readily realisable.

4.28 Members may choose which investment options meet their own personal risk assessment, out of the range of investment options available to them.

Suitability

4.29 The Trustee takes advice from the Investment Consultant to ensure that the range of funds specified above is suitable.

Fee Structures

4.30 Fidelity is remunerated through an annual management charge. The fee arrangements have been determined by reference to common practice in relation to the nature of the briefs involved. Please see the SIA for further details of the fees.

4.31 The underlying fund managers also levy their fee based on a percentage of the value of the assets under management. The Total Expense Ratio is equal to the investment manager fees and additional variable costs associated with managing a fund such as administrative, audit and legal fees. Please see the SIA for further details of the current fees.

Responsible Investment and Corporate Governance

4.32 The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

4.33 The Trustee expects its underlying managers to evaluate ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice.

4.34 The Trustee has developed a standalone ESG Policy document which sets out the Trustee's key ESG principles that have been established and the approach to considering climate risk and other ESG factors.

4.35 Mercer and the Trustee support and expect the investment managers who are registered with the FCA to comply with the UK Stewardship Code and UK Corporate Governance Code, including public disclosure of compliance via an external website.

4.36 The Trustee wishes to encourage best practice in terms of active engagement with entities in which they invest. The Trustee expects the underlying investment managers to undertake engagement activities and encourages the Fund's investment managers to discharge their responsibilities in respect of investee companies in accordance with the principles underlying the UK Corporate Governance Code and the UK Stewardship Code, in respect of all resolutions at annual and extraordinary meetings.

4.37 The Trustee has determined the following key themes as the basis for the Fund's "most significant votes" in respect of the investment manager engagement activities:

- Climate change: low-carbon transition and physical damages resilience.
- Pollution and natural resource degradation: air, water and land (forests, soils and biodiversity).
- Human rights: Modern slavery, pay and safety in workforce and supply chains, and abuses in conflict zones.
- Diversity, Equity and Inclusion: inclusive & diverse decision making.

4.38 The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis as set out below.

4.39 The Trustee reviews the following reporting on an annual basis:

- Stewardship monitoring reporting which assesses each manager's record of executing and disclosing voting activity (where voting rights apply), and the extent to which they are engaging with the underlying companies in which they invest.
- ESG ratings of all investment managers versus the asset class universe ESG ratings. In addition, ESG ratings are disclosed in the quarterly performance report, which is reviewed by the Trustee.
- Climate metrics, including (as a minimum) carbon footprint analysis, weighted average carbon intensity (WACI), absolute emissions and implied temperature rise of the Default Investment Option.
- Climate scenario modelling of the Default Investment Option (on a triennial basis or following significant investment strategy changes).

4.40 Following the triennial review of the Fund's investment strategy that was implemented in October 2020, the Fund incorporated a fund with strong ESG principles into the Default Investment Option as well as incorporating the Roche Global Sustainable Equity Fund in the general fund range. Further, following the triennial review of the Fund's investment strategy that was implemented in December 2023, the Fund incorporated additional funds with strong ESG principles into the Default Investment Option and general fund range. Further details are set out in the SIA.

4.41 The Trustee has committed to reduce carbon emissions associated with the Default Investment Option by at least 45% (from 2019 levels) by 2030 and fully (i.e. to net zero) by 2050, consistent with limiting global warming to 1.5 degrees above pre-industrial levels.

4.42 Individual member views are not taken into account in the selection, retention and realisation of investments. However, the Trustee considers feedback from members and where appropriate, will reflect on feedback received as part of any discussions relating to the available fund range.

4.43 The Trustee has not set any investment restrictions on the appointed investment managers in relation to particular products or activities but may consider this in the future.

Expected Return on Investments

4.44 Alongside the default the Trustee has made available a range of investment options, with sufficient variation in expected risk and return to enable members to tailor their investment strategy to their own needs. Further detail on the available fund choices are included in the SIA. In addition, the objectives of the Fund's default strategy are noted in Section 5.

Realisation of Investments

4.45 The Investment Managers have responsibility for the realisation and trading of the underlying assets. As already mentioned, the day-to-day activities which the Investment Managers carry out for the Trustee, are governed by the arrangements between the Investment Managers and Fidelity. All funds available are daily priced and trade daily.

5 Defined Contribution Section – Default Investment Arrangements

Default Investment Option

5.1 The Trustee believes the most appropriate default for DC members is the Roche Flexible Retirement Lifestyle Strategy. This changed from the Roche Lifestyle Strategy Targeting Annuity in October 2020 following the triennial default strategy review that was carried out over 2019. The Trustee believes that this is a more appropriate default option for members based on how they expect members to take their benefits in the future.

5.2 As noted in 3.21, the Default Investment Option for AVCs paid by DB Section members and Bonus Choice members is the Roche Lifestyle Strategy Targeting Cash which targets 100% cash at a member's selected retirement age, as set out in the SIA.

5.3 The current default investment option places the emphasis on aiming to deliver an efficient, cost effective way of growing members' retirement savings without exposing them to unreasonable risk. This also encompasses a switch into asset classes designed to provide some protection against equity market falls, and for the Roche Flexible Retirement Lifestyle Strategy, asset classes that help protect against market volatility while allowing for some growth in the years approaching the Member's selected target retirement age.

5.4 The Trustee believes that no single Default Investment Option can be suited to the needs of all members, given that individuals will likely have differing investment needs that may change during their working lives. Members should therefore make their own investment decisions based on their individual circumstances and the Trustee has therefore made a range of investment options, guides, factsheets and modelling tools to help members tailor their investment strategy to their own needs. The Trustee also recognises that some members may not feel confident enough to make investment decisions and, as such, makes available a Default Investment Option for members who do not elect an investment choice.

5.5 **The aims of the Default Investment Option**

- The aim of the Default Investment Option is to try to ensure that members' savings are invested in appropriate funds at the appropriate time, based on their age and the number of years until their selected retirement date.
- In designing the default strategies, the Trustee has explicitly considered the trade-off between risk (as defined in Section 4.11) and expected returns.
- If members wish to, they can opt to choose their own investment strategy on joining but also at any other future date.
- Assets in the Default Investment Option are invested in the best interests of members and beneficiaries, taking into account the profile of members.
- Assets in the Default Investment Option are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.
- Assets are invested in regulated products and mainly on regulated markets (any that are not will be kept to prudent levels).

5.6 **Policies in relation to the Default Investment Option**

- The Trustee recognises that members' investment needs change as they progress towards retirement age. Younger members have a greater need for real growth to attempt to ensure their investment account keeps pace with inflation but are better able to tolerate short term fluctuations in value. Older members require mitigation of the risks which could impact the magnitude of benefits in retirement, whether taken in the form of an annuity, cash, or via income drawdown. Considering the risks defined in Section 4.10, the Trustee has designed the Default Investment Option to use of a mix of active and passive investments and a range of asset classes. In particular:

- The growth phase invests in a range of equities until 20 years from retirement and then builds up an allocation to multi-asset investments as well, which should provide growth with some protection against market volatility.

- It manages investment risks through a diversified strategic asset allocation. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the Default Investment Option, the Trustee has explicitly considered the trade-off between risk and expected returns.

- As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that operating the Default Investment Option such that they seek to reduce investment risk as the member approaches retirement is appropriate.

- Based on their understanding of the Fund's membership, an investment strategy for DC Section members that targets income drawdown (Flexible Retirement) and a tax-free cash lump sum (up to 25% of a member's pot) at retirement is likely to meet a typical member's requirements for income in retirement. Prior to the closure of the DB Section, for DB Section members who chose to pay AVCs (or either a DB or DC member who has elected to use Bonus Choice and, in either case, has not made their own investment choice), the Roche Lifestyle Strategy Targeting Cash targets a cash lump sum at retirement. This does not mean that members have to take their benefits in this format at retirement – it merely determines the investment strategy that will be in place pre-retirement. Members who intend to take their retirement benefits through other formats have the option of choosing their own investment strategy.

- Assets in the Default Investment Option are invested in long-term insurance contracts. The assets underlying the insurance contracts are daily traded pooled funds which hold highly liquid assets. The pooled funds are commingled investment vehicles which are managed by various Investment Managers. The selection, retention and realisation of assets within the pooled funds are delegated to the respective Investment Managers in line with the mandates of the funds. The Trustee expects the underlying investment managers (within the constraints of their mandates) to evaluate ESG factors, including climate change considerations in the selection, retention and realisation of investments.

5.7 In designing the Fund's Default Investment Option, the Trustee takes account of all factors that it deems financially material over the relevant time horizons for the Fund's membership. As a result, the default strategy is designed as a lifestyle strategy that considers members risk and return requirements as they progress towards retirement age.

5.8 The Trustee also considers how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis as outlined in Section 6.2 onwards.

5.9 Taking into account the demographics of the Fund's membership and the Trustee's views of how the membership will behave at retirement, the Trustee believes that the Default Investment Option is appropriate and the Trustee will continue to review this over time, at least triennially, or after significant changes to the Fund's demographic, if sooner.

Expected Return on Investments

5.10 During the growth phase of the Default Investment Option, the Trustee aims for the strategy to generate returns in excess of inflation whilst managing downside risk. As members approach retirement, the strategy aims to reduce investment risk for members, with the aim of providing assets that are broadly appropriate for an individual planning for a flexible retirement, i.e. combining income drawdown with a tax-free cash lump sum at retirement. For AVCs paid by DB Section members and Bonus Choice members, the default Cash Lifestyle Strategy is aimed at members wishing to withdraw 100% of their savings as cash at retirement. Further detail on the underlying component funds are included in the SIA.

Realisation of Investments

5.11 The Investment Managers have responsibility for the realisation and trading of the underlying assets. As already mentioned, the day-to-day activities which the Investment Managers carry out for the Trustee, are governed by the arrangements between the Investment Managers and Fidelity. All funds available are daily priced and trade daily.

Policies in relation to Illiquid Assets

5.12 The Trustee considers illiquid assets as assets of a type which cannot easily or quickly be sold or exchanged for cash; including where such assets are invested as a component of a daily-dealing multi-asset fund. The Fund's Default Investment Option, the Roche Flexible Retirement Lifestyle Strategy, includes no direct allocation to illiquid investments or to investments via a collective investment scheme. The other funds used in the Default Investment Option do not invest in any underlying illiquid assets.

5.13 The Trustee understands the potential for higher returns and benefits of diversification relative to more traditional asset classes (such as bonds or equities) that illiquid assets can offer. While these potential benefits are recognised by the Trustee, they are also aware of the risks of illiquid assets to members. Given the potential for valuations of illiquid assets to not reflect their true value at a given time, as well as concerns over liquidity management and platform compatibility; the Trustee considers direct investment into an illiquid asset fund as not currently suitable for members of the Fund. However, the Trustee will continue to discuss the inclusion of illiquid assets. The Trustee remains comfortable with the funds used in the Default Investment Option, and annually assesses whether the funds used provide value for members.

5.14 In selecting investments for the Default Investment Option, the Trustee uses both qualitative and quantitative analysis to consider the expected impact of different strategic allocation mixes. For any future investment, the Trustee carefully considers whether the investment provides value for members, taking account of the return potential and associated risks. It is the Trustee's policy to review the allocation of the Default Investment Option on at least a triennial basis. Such reviews include whether the incorporation of illiquid asset investments is appropriate.

Additional Default Arrangements

5.15 In accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, as amended, the Fund has identified the investment options listed below as 'default arrangements' (as defined by these regulations) in addition to the default investment option in which new members are directed, the Roche Flexible Retirement Lifestyle Strategy and in addition to the default investment option for AVCs paid by DB Section members and Bonus Choice members, the Roche Lifestyle Strategy Targeting Cash.

5.16 The below have been identified as 'additional default arrangements' as members' accrued funds and contributions have been automatically directed to these funds without members having instructed the Trustee where their accrued funds and contributions are to be invested, these are not default arrangements for the purposes of auto-enrolment; these defaults exist due to historic investment fund mapping and were the result of the following exercises:

- Following the 2019/20 triennial investment strategy review, the Trustee agreed to make changes to the Fund's investment strategy, as a result of these changes and the subsequent mapping, additional default arrangements have been created namely;

  - **Roche Lifestyle Strategy Targeting Annuity:** This was the previous Fund default. Members within 12 months to retirement (and those beyond retirement) as at 1 October 2020 remained in the Roche Lifestyle Strategy Targeting Annuity for a period of 12 months rather than default mapping into the Roche Flexible Retirement Lifestyle Strategy. From 27 October 2021, members who remained in the Roche Lifestyle Strategy Targeting Annuity had made an active choice to do so. All remaining members were transitioned into the Roche Flexible Retirement Lifestyle Strategy on 26 October 2021.

  - **Roche World ESG Equity Tracker Fund:** Replacing the BlackRock (30:70) Currency Hedged Global Equity Index Fund with the Roche World ESG Equity Tracker Fund in the self-select fund range, consistent with the investment changes made to the lifestyle strategies.

  - **BlackRock Cash Fund / Roche Lifestyle Strategy Targeting Cash:** At the start of 2020, the assets previously held in the Equitable Life With Profits Fund were transferred into the Utmost Life Secure Cash Fund without members' consent. This occurred as part of the transfer of the Equitable Life Assurance Society's UK policies to Utmost Life and Pensions Limited ("Utmost Life"). From the 1 July 2020, the assets were gradually moved into the Utmost Life Money Market Fund, following advice from the investment consultant. The investment strategy of the Utmost Life Secure Cash Fund and the Utmost Money Market Fund were used as a temporary measure following the transfer from Equitable Life to Utmost Life until funds were transferred into the main Fund in late October 2020. Members were transferred into the main Fund on 27 October 2020, following advice from the investment consultant. Members within three years of their Selected Retirement Age (or Normal Retirement Age, if no SRA was selected) were transitioned to the BlackRock Cash Fund, all other members were transitioned to the Roche Lifestyle Strategy Targeting Cash. All impacted members were communicated with prior to 27 October 2020 and given the option to make an alternative investment choice.

  - **BlackRock ESG Strategic Growth Fund:** Following a review of the ASI (abrdn) Global Absolute Return Strategies (GARS) Fund on 3 March 2022, the Trustee agreed to remove the abrdn GARS Fund from the DC Section, this impacted the

Roche Diversified Growth Fund and the standalone abrdn GARS Fund in the self-select fund range. No changes were made to the benchmark or the objective of the Roche Diversified Growth Fund. Self-select members were mapped to the BlackRock ESG Strategic Growth Fund on 20 September 2022. All impacted members were communicated with prior to 20 September 2022 and given the option to make an alternative investment choice.

− Following the 2023 triennial investment strategy review, the Trustee agreed to make changes to the Fund's investment strategy, as a result of these changes and the subsequent mapping, additional default arrangements have been created namely;

  − **Roche Emerging Market ESG Equity Tracker Fund:** Replacing the BlackRock Emerging Market Equity Fund with the Roche Emerging Market ESG Equity Tracker Fund in the self-select fund range, consistent with the investment changes made to the lifestyle strategies.

5.17 The Aims of the Additional Default Arrangements:

- In selecting the Additional Default Arrangements, the Trustee has explicitly considered the trade-off between risk and expected returns.
- Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.
- If members wish to, they can opt to move assets away from the Additional Default Arrangements and choose their own investment strategy at any time.
- Assets in the Additional Default Arrangements are invested in the best interests of members and beneficiaries, taking into account the objectives of the arrangements.
- Assets in the Additional Default Arrangements are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.
- Assets are invested in pooled funds which are daily dealing and readily realisable.

5.18 The Trustee's policy in respect of the Additional Defaults are summarised in the table below:

Fund	**Fund Objective and Investments Held**	**Trustee Objective and Expected Risk and Return**
Roche Emerging Market ESG Equity Tracker Fund (From 12 December 2023)	The Fund aims to provide returns by tracking closely the performance of the Solactive L&G ESG Emerging Markets Index, the Fund's benchmark index. The fund also aims to maximise exposure to positive Environmental, Social and Governance ("ESG ") factors while minimising the carbon exposure.	As part of the changes implemented on 12 December 2023, the Trustee views the Fund as an appropriate replacement to the BlackRock Emerging Market Equity Index Fund. The Fund targets risk, return characteristics similar to those of the MSCI Global Emerging Market Equity Index (the previous benchmark), and is therefore likely to have similar risk and return characteristics to the fund being replaced.

Fund	Fund Objective and Investments Held	Trustee Objective and Expected Risk and Return
BlackRock ESG Strategic Growth Fund (From 20 September 2022	The Fund aims to return 4.5% per year over the Bank of England's Base Interest Rate on a gross of fee basis, over a period of 7 years, with a volatility lower than the MSCI All Country World Index (GBP) over the period. The Fund invests in a range of asset classes in the UK and overseas including equities, bonds, cash/currencies, property, commodities and derivative based strategies.	The Trustee sees the Fund as an appropriate replacement to the ASI (abrdn) Global Absolute Return Strategies (GARS) Fund**.** The abrdn GARS Fund was removed from the DC Section on 20 September 2022. The Fund targets risk, return characteristics similar to those of the abrdn GARS Fund.
BlackRock Cash Fund (From 27 October 2020)	The Fund aims to achieve a rate of interest on investment (i.e. a return), consistent with maintaining capital and ensuring that its underlying assets can easily be bought or sold in the market (in normal market conditions). The Fund only invests in cash and money-market instruments (i.e. debt securities with short term maturities) denominated in Sterling.	As part of the planning for the second phase of switching from Utmost Life into the main Fund in October 2020, it was noted that a small number of members were very close to, or past their NRA. There remained significant risk of volatility in investment markets at the time, which may have adversely impacted the outcome for these members and therefore the Trustee mapped members in line with the below (unless members made an alternative investment choice); • Members within three years of, or past, their NRA were mapped to the BlackRock Cash Fund and • Only those further from retirement were mapped to the Roche Lifestyle Strategy Targeting Cash. The BlackRock Cash Fund has the lowest expected volatility of the funds available in the Fund.

Fund	Fund Objective and Investments Held	Trustee Objective and Expected Risk and Return
Roche Lifestyle Strategy Targeting Cash (From 27 October 2020)	The Roche Lifestyle Strategy Targeting Cash places the emphasis on aiming to deliver an efficient, cost effective way of growing members' retirement savings without exposing them to unreasonable risk. This also encompasses a switch into cash designed to provide capital protection in the years approaching the member's selected target retirement age. The lifestyle strategy aims to try to ensure that members' savings are invested in appropriate funds and asset classes at the appropriate time, based on their age and the number of years until their selected retirement date.	As part of the planning for the second phase of switching from Utmost Life into the main Fund in October 2020, it was noted that a small number of members were very close to, or past their NRA. There remained significant risk of volatility in investment markets at the time, which may have adversely impacted the outcome for these members and therefore the Trustee mapped members in line with the below (unless members made an alternative investment choice); • Members within three years of, or past, their NRA were mapped to the BlackRock Cash Fund and • Only those further from retirement were mapped to the Roche Lifestyle Strategy Targeting Cash. The Roche Lifestyle Strategy Targeting Cash targets 100% cash at a member's selected retirement age and is the default investment option for DB Section members who chose to pay AVCs, or either a DB or DC member who has elected to use Bonus Choice.
Roche Lifestyle Strategy Targeting Annuity (From 6 October 2020)	The Roche Lifestyle Strategy Targeting Annuity places the emphasis on aiming to deliver an efficient, cost effective way of growing members' retirement savings without exposing them to unreasonable risk. This also encompasses a switch into asset classes designed to provide some protection against fluctuating annuity prices in the years approaching the member's selected target retirement age. The lifestyle strategy aims to try to ensure that members' savings are invested in appropriate funds and asset classes at the appropriate time, based on their age and the number of years until their selected retirement date.	This was the previous Fund default prior to October 2020 when the default investment option changed to the Roche Flexible Retirement Lifestyle Strategy. During the growth phase of the Roche Lifestyle Strategy Targeting Annuity, the Trustee aims for the strategy to generate returns in excess of inflation whilst managing downside risk. As members approach retirement, the strategy aims to reduce investment risk for members, with the aim of providing assets that are broadly appropriate for an individual planning to purchase an annuity and take a tax-free cash lump sum at retirement. It manages investment risks through a diversified strategic asset allocation. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the Roche Lifestyle Strategy Targeting Annuity, the Trustee has explicitly considered the trade-off between risk and expected returns. The Trustee considers the level of risk within the Roche Lifestyle Strategy Targeting Annuity in the context of the variability of returns relative to annuity prices and cash rates.

Fund	Fund Objective and Investments Held	Trustee Objective and Expected Risk and Return
Roche World ESG Equity Tracker Fund (From 6 October 2020)	From 6 October 2020: The Fund aims to provide returns by tracking closely the performance of the MSCI World ESG Focus Low Carbon Screened Index (hedged), the Fund's benchmark index. From 12 December 2023: The Fund aims to provide returns by tracking closely the performance of the MSCI World ESG Focus Low Carbon Screened Index (50% hedged), the Fund's benchmark index. The fund also aims to maximise exposure to positive Environmental, Social and Governance ("ESG ") factors while minimising the carbon exposure. The Fund invests in equity securities (e.g. shares) of companies that make up the Benchmark Index.	As part of the changes implemented on 6 October 2020, the Trustee view the Fund as an appropriate replacement to the BlackRock (30:70) Currency Hedged Global Equity Index Fund. The Fund targets risk, return characteristics similar to those of the parent index, MSCI World Index, and is therefore likely to have similar risk and return characteristics to the fund being replaced. From 12 December 2023, the Trustee agreed to reduce the level of currency hedging in the Fund to a 50% currency hedge.

5.19 Prior to mapping members' investments across to the replacement funds, the Trustee took appropriate investment advice and considered these funds to be suitable for members in order to keep them in a similar type of investment fund as they were in previously and taking account of the demographics of the members invested in the funds. The Total Expense Ratios ('TERs'), which is the cost associated with the managing and operating of the funds, are below the charge cap legislation requirement of 0.75% p.a. that applies to default investment options.

5.20 The Trustee reviews both the default strategy and additional default arrangements at least every three years and without delay after any significant change in the investment policy or the demographic profile of relevant members.

6 Monitoring and implementation of investment policy

6.1 The appointment of the investment managers will be reviewed by the Trustee from time to time, based on the results of their monitoring of performance and process. The managers have been provided with a copy of this Statement.

Ongoing Monitoring

6.2 The Trustee holds regular meetings with Mercer and the investment managers to satisfy itself that they continue to carry out their work competently and have the appropriate knowledge and experience to manage the investments of the Fund.

6.3 The Trustee receives investment manager performance reports on a quarterly basis, which present performance information over 3 months, 1 year and 3 years. The Trustee reviews the absolute performance, relative performance against a suitable index used as the benchmark, and against the manager's stated target performance (over the relevant time period) on a net of fees basis.

6.4 The Trustee maintains a focus on long term performance. It may review a manager's appointment if the manager has extended periods of underperformance, there is a material change in personnel or there is other news that may severely impact the outcome of the investment.

6.5 Manager fees are calculated as a percentage of assets under management. If managers fail to meet their performance objectives, the Trustee may ask managers to review their fee. As part of the annual Value for Members assessment, the Trustee reviews the investment manager fees.

6.6 The Trustee may meet with investment manager if they are dissatisfied with their performance or engagement activity, and may choose to terminate the relationship with the manager if they see fit.

Portfolio Turnover Costs

6.7 The Trustee asks investment managers to include portfolio turnover and turnover costs in their presentations and reports to the Trustee. The Trustee consider portfolio turnover costs as part of the annual Value for Members assessment.

Investment Manager Turnover

6.8 The Trustee is a long-term investor and is not looking to change investment arrangements on a frequent basis. All the funds are open-ended with no set end date for the arrangement. The Default Investment Option and the available fund range are reviewed on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the Default Investment Option or the general fund range.

Version Control

Section	Last reviewed	Changes made?	Current Owner of document
Introduction	October 2024 – Mercer	N	MERCER
Division of responsibilities	October 2024 – Mercer	N	
Defined Benefit Section	December 2023 – Mercer	Y	
Introduction	October 2024 - Mercer	Y	
Defined Benefit Section	October 2024 - Mercer	Y	
Defined Contribution Section	October 2024 – Mercer	Y	
Defined Contribution Section – Default Investment Arrangements	October 2024 – Mercer	Y	
Monitoring and implementation of investment policy	October 2024 – Mercer	N	