

# Wyeth Group Pension and Life Assurance Scheme (1997) Chair's Statement for the year ended 31 December 2023

## 1) Introduction

The Trustee of the Wyeth Group Pension and Life Assurance Scheme (1997) (the 'Scheme') present the annual Chair's Statement on governance (the 'Statement') as required under legislation set out in regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the 'Administration Regulations'), as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

This statement sets out how the Trustee meets the requirements of the Regulations, over the period from 1 January 2023 to 31 December 2023. This statement covers these main key areas:

- The investment strategy relating to the Scheme's default DC arrangement;
- The processing of the Scheme's financial transactions;
- Net investment returns
- Asset allocation and performance based fees disclosures;
- Charges and transaction costs within the Scheme, including the disclosures for the impact of costs and charges;
- Value for Members assessment; and
- The Trustee's compliance with the statutory knowledge and understanding requirements.

At the Scheme year end, the Scheme held the following money purchase (also known as defined contribution or DC) assets:

- The Defined Contribution ("DC") Section, accessed via an insurance policy with Scottish Equitable plc ("Aegon"). The DC Section also invests assets in euro-denominated funds managed by Irish Life Assurance plc ("Irish Life").
- A legacy policy with Scottish Widows Limited ("Scottish Widows"), with all members invested in the With-Profits Fund.
- Additional Voluntary Contributions ("AVCs"), also via Aegon and using the same fund range as the DC Section.

Following the Scheme year end, in April 2024, all members holding only DC benefits in the Scheme were transferred to the Aon Master Trust. Remaining in the Scheme after April 2024 are the members who have DB benefits or a DB underpin alongside their DC benefits.

This Statement will be published online at <https://www.wyethpensiondirectory.co.uk/> and the information with regards to cost disclosures will be signposted in the annual benefit statements.

The day to day administration of the Scheme is undertaken by Capita Experience Pension Solutions ("Capita"). On Friday 31st March 2023, Capita experienced a cyber incident. The incident primarily impacted access to internal Microsoft Office 365 applications. Capita's IT security monitoring capabilities swiftly alerted them to the incident, and they quickly invoked their established and practised technical crisis management protocols. Immediate steps were taken to successfully isolate and contain the issue. Capita has continued to work closely

and at speed with specialist advisers and forensic experts in investigating the incident to provide assurance around any potential customer, supplier or colleague data exfiltration.

The Trustee has taken action to comply with its regulatory obligations, including informing relevant regulators and communicating with affected members. The Trustee has worked closely with Capita to fully understand the impact of the incident on Scheme members, ensuring impacted members are advised to take reasonable steps to address the incident.

## **2) The DC Section**

As at 31 December 2023 this Section includes a range of 18 self-select funds and five lifestyle options (three with Aegon, two with Irish Life). Additionally there is one with-profits fund still in use under the legacy Scottish Widows policy.

The three Aegon lifestyle options are the Scheme's main lifestyles. They are targeted towards either drawdown, annuity purchase or cash at retirement and utilise the same Growth phase consisting of 50% of the funds allocated to Pfizer Group Diversified Growth and 50% allocated to Pfizer Group Global Equity. In addition, in all three lifestyles, the fund allocations remain constant until 8 years before the members selected (or the Scheme's default) retirement date. Lastly, these lifestyle options utilise funds also available as individual self-select fund options within the Scheme.

Historically there have also been two further lifestyle strategies designed specifically for members of the Scheme based in Ireland and these continue to be available. The funds used in these strategies are Euro denominated.

### **The Default Investment Options**

Members making DC contributions, who do not choose to self-select from the lifestyles and funds available, are automatically placed in the Scheme's default arrangement.

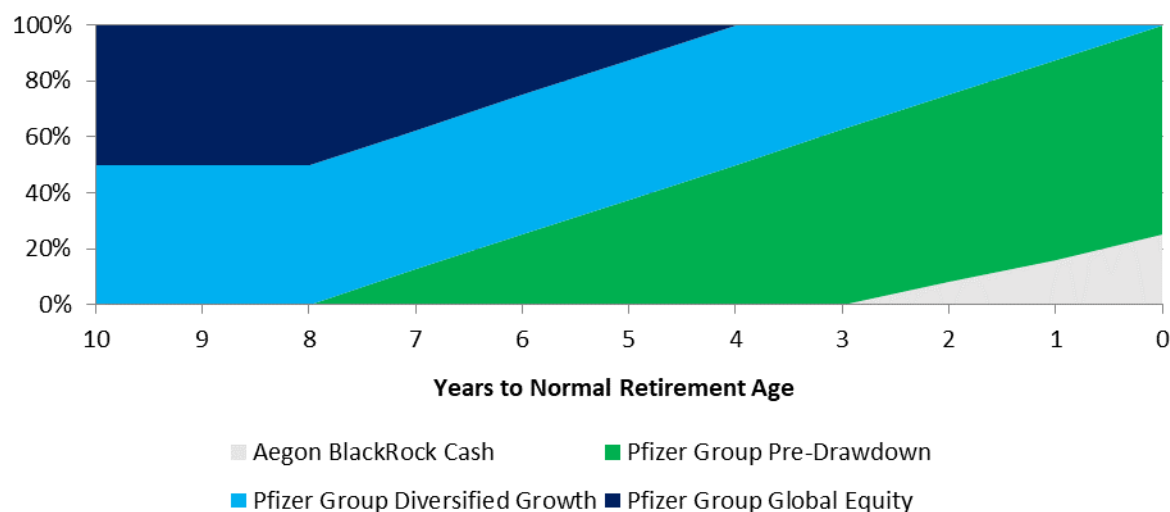
During the Scheme year covered by this Statement, the Default Investment Option (the 'Default') in place was the Drawdown Lifestyle Profile, which is a lifestyle strategy that targets drawdown at retirement.

The Drawdown Lifestyle Profile initially invests in a Growth Phase, where investments are structured to maximise real returns over the long term, with some downside protection and some protection against inflation erosion. It then moves into a derisking phase 8 years before a member's target retirement age, when assets are transferred into the Pfizer Group Pre-Drawdown Fund. Investors are moved gradually from assets with the potential for medium to high growth / risk to assets with expected low to medium growth / risk. At retirement, the asset allocation will be 25% to the Aegon BlackRock Cash Fund and 75% to the Pfizer Group Pre-Drawdown Fund.

The Trustee believes that the structure of the Drawdown Lifestyle Profile is suitable for members who wish to leave their savings invested at retirement and withdraw, as needed, over the longer term. However, flexi-access drawdown is not offered within the Scheme. Members must transfer out to access flexi-access drawdown (the Scheme does permit limited Uncrystallised Funds Pension Lump Sum ("UFPLS") payments, further details are provided below).

The Drawdown Lifestyle Profile has different fund allocations for members dependent on number of years from retirement, this is set out in the chart below. These are the allocations in place over the course of the year covered by this statement.

## Drawdown Lifestyle Profile (the Default option)



### Additional Lifestyle Strategies

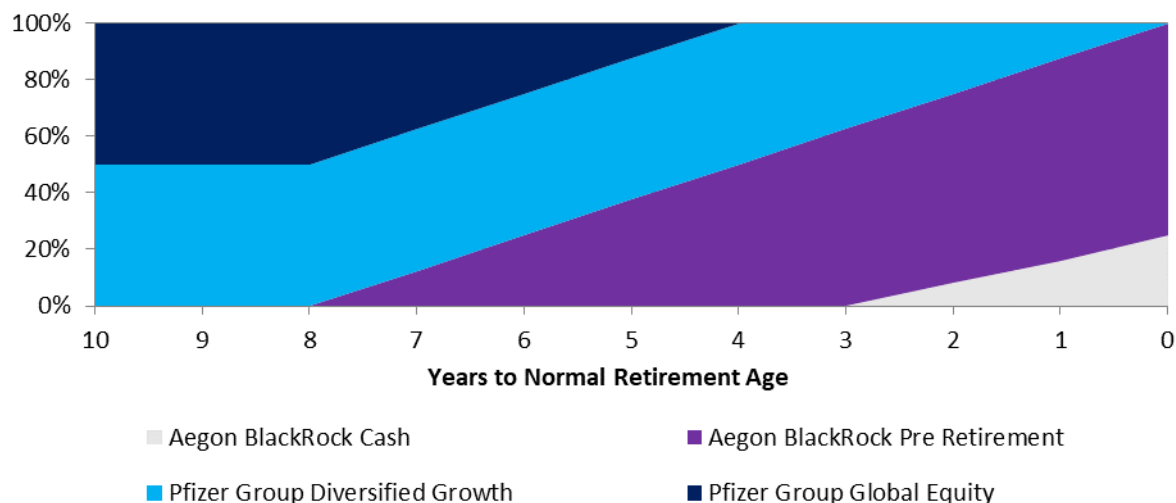
As mentioned before, the Scheme offers five lifestyle strategies, the two described above plus three further strategies. These cater for the flexibilities available to members when taking benefits at retirement.

The main three lifestyle strategies are with Aegon. Namely, the following:

- Drawdown Lifestyle Profile (the Default option, as described above)
- Annuity Lifestyle Profile (the legacy default)
- Cash Lifestyle Profile

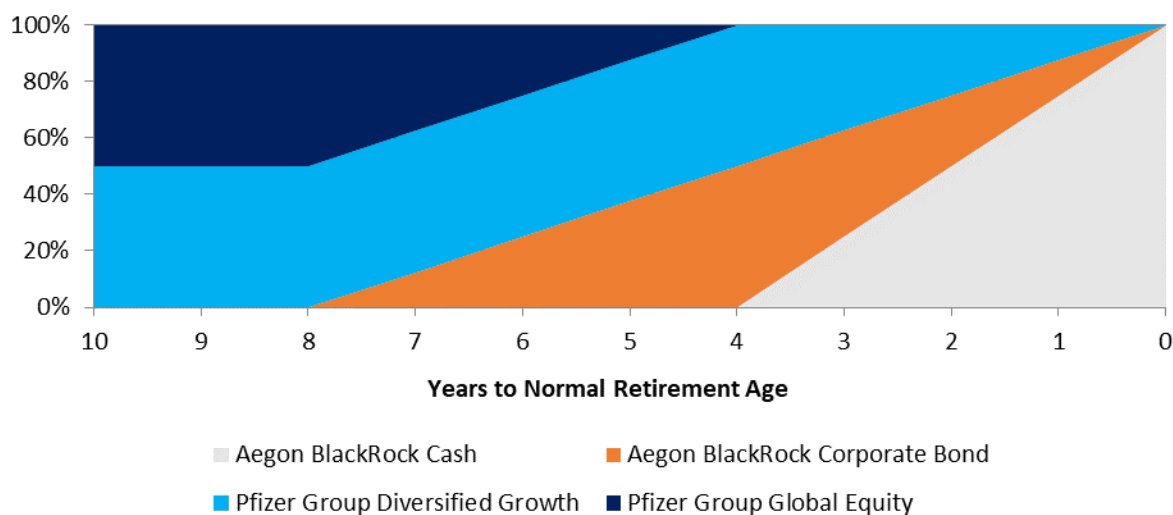
The Trustee believes that the structure of the Annuity Lifestyle Profile is suitable for members who wish to purchase annuity at retirement. The Annuity Lifestyle Profile has different fund allocations for members dependent on number of years from retirement, this is set out in the chart below. The Annuity Lifestyle profile is the legacy default option where some members' accrued funds and contributions were previously automatically directed. On 18 January 2022 the majority of members in this strategy were moved to the new default, unless they opted out. However, there were a small group of members who were within two years of retirement who were not automatically moved to the new default. Therefore this strategy remains a legacy default.

## Annuity Lifestyle Profile



The Trustee believes the structure of the Cash Lifestyle Profile is suitable for members who wish to withdraw their savings fully as cash at retirement. The Cash Lifestyle Profile has different fund allocations for members dependent on number of years from retirement, this is set out in the chart below.

## Cash Lifestyle Profile



The Trustee also makes available two further lifestyle strategies designed specifically for members of the Scheme based in Ireland. These strategies use a combination of Irish Life funds and are known as Irish Life Strategy C – 10 Year Switching and Irish Life Strategy C – 5 Year Switching. The currency of these funds is the Euro. The strategy of these funds is to switch progressively from equities to bonds and cash over the last ten or five years respectively, as members approach retirement. As at 31 December 2023 the Scheme had around 1.2% of assets invested with Irish Life.

## **Investment changes implemented during 2023**

A triennial investment strategy review was undertaken in Q4 2023. The report included a review of the Scheme's default investment option, the "Drawdown Lifestyle Profile", additional lifestyle strategies and the appropriateness of the funds available to members on a self-select basis. This review considered the following aspects:

- Review of the current default investment option, taking into consideration member demographics, ESG-related risks and opportunities and "best investment ideas" for default design.
- Review of the self-select investment options available to members (including the additional lifestyle strategies).
- Provided recommendations to enhance member outcomes through the default investment option, additional lifestyle strategies and the self-select options.

The review determined that the Drawdown Lifestyle Profile remains suitable for the majority of the Scheme members. This review constituted the review of the default arrangement required by Regulation 2A(2) of the Occupational Pension Schemes (Investment) Regulations 2005.

As part of the review, the investment structure of the Drawdown Lifestyle Profile was also reviewed. No changes to the growth phase nor the de-risking phase were recommended. Some potential areas for enhancement were recommended for the underlying asset allocation of the Pfizer Group Diversified Growth Fund, which accounts for 50% of the growth phase utilised across the three available Lifestyle options, by replacing both the idiosyncratic and core managers to improve downside protection and performance. The Trustee has decided to make no changes to the strategy at this time as they focus on the "pure DC" move to Master Trust taking place in the spring of 2024. The Trustees note that a further strategy review will be completed in 2024 following this transfer as the membership will have significantly changed due to this transfer.

The review concluded that the de-risking phase of the Drawdown Lifestyle Profile remained suitable for members targeting Drawdown, noting the recommended changes to the Pfizer Group Diversified Growth Fund and that the breadth of self-select fund options available to members represented a good spread of asset classes and no changes were proposed.

In accordance with the Administration Regulations, the Trustee has appended the latest copy of the SIP prepared for the Scheme under Section 35 of the Pensions Act 1995 and regulation 2/2A of the Occupational Pension Schemes (Investment) Regulations 2005. The latest SIP is dated April 2022 and a copy of it is made publicly available at <https://www.wyethpensiondirectory.co.uk/>.

## **Flexible retirement options**

The Scheme permits UFPLS for DC members; this allows some members to draw funds flexibly. It should be noted that members cannot take an UFPLS on any portion of DC benefits to which there is a Defined Benefit ("DB") underpin attached. Therefore, members with a DB underpin attached to their entire DC pension pot will not be able to take their benefits in the form of an UFPLS. Where an underpin applies to only a proportion of a member's DC pot they may take UFPLS on the remainder of the pot that is not subject to the underpin. Active members are also limited to one UFPLS payment but deferred members can take up to three UFPLS so long as the final UFPLS is taken within two complete tax years of the first.

### **3) Requirements for processing financial transactions**

As required by the Administration Regulations, the Trustee must ensure that core financial transactions are processed promptly and accurately.

This includes:

- Investment of contributions paid to the Scheme;
- Transfer of members' assets into and out of the Scheme;
- Transfers of members' assets between different investment options available in the Scheme; and
- Payments from the Scheme to, or in respect of, members.

#### **Timescales**

The Schedule of Contributions sets out timescales for the John Wyeth & Brother Limited to remit monthly contributions to the Scheme in accordance with legislative requirements. However, agreed practice provides for payment of contributions in advance of these timescales. The deduction and payment of contributions is reviewed by the Company. Once received, contributions are invested in accordance with the timescales set out in the administration agreement with the Scheme Administrator.

In previous years, and throughout the early period of 2023, the Trustee delegated the administration and accounting services to the Company. In turn, the Company had delegated the provision of some of these services to selected providers. The day to day administration is provided by Capita Pension Solutions Limited ("Capita"). However, from 19 April 2023 a new administration agreement was put in place directly between the Trustee and Capita.

Capita has agreed minimum timescales for all services, including core financial transactions, set out in the administration agreement in effect between the Company and Capita. The Service Level Agreement ("SLA") in place covers both the accuracy and timeliness of the financial transactions and sets out the approach (including timescales) regarding the transfer of members' assets into and out of the Scheme, the transfer of members' assets between different investment options available in the Scheme and payments from the Scheme to, or in respect of, members. Capita has agreed to aim for a minimum 95% SLA target for accuracy and timeliness of cases relating to individual financial transactions. These timescales are contractual rather than regulatory. All transactions are made in a timely manner as set out below:

- Contributions: These are sent by the administrator to the relevant investment manager(s) within 3 working days of receipt from the Company (or via a transfer in by the member from a previous arrangement) of the money, or all required information, whichever is the later. Once funds and investment instructions are received by the relevant investment manager(s) the required investment of contributions is carried out by the manager within a further 4 working/trading days. The amount invested is checked to ensure it matches both the amount received earmarked for pension contributions and the total amount provided in the schedules received from the Company. The only exception to this is where a member is retiring directly from active status and is expected to draw their benefits very shortly after the contribution is received. Where this happens, to avoid the member experiencing short-term losses, the monies are retained within the Trustee bank account to be paid out to the member (or the member's chosen pension provider, should they opt for an external annuity etc.) upon retirement.
- Switches: the instructions are processed within 2 working days of receipt from the member and recorded on Capita systems 2 working days after the contract note is received from the relevant investment manager.

- Transfers in: the proceeds from transfers in are invested and the updated position confirmed to the member 5 working days from the receipt of the necessary information and monies from the transferring scheme, excluding any time between submission of the transfer proceeds to the investment manager and the receipt of the contract note confirming investment of the monies.
- Transfers out: member benefits to be transferred out are disinvested, payment made to the receiving scheme and confirmation issued to both the member and receiving scheme 5 working days from the receipt of the necessary information from the member, receiving scheme and the member's financial adviser where necessary, including checks required as part of due diligence to avoid improper transfers.
- Retirements: all lump sum payments, disinvestments and other actions including transfers to annuity providers and other receiving schemes are made 5 working days from the receipt of the necessary information from the member and any receiving arrangements where necessary, including checks required as part of due diligence to avoid unauthorised payments.
- Deaths: all lump sum payments, disinvestments and other actions including transfers to annuity providers and other receiving schemes are made 2 working days from the receipt of the necessary Trustee discretion, information from the nominated beneficiaries and any receiving arrangements where necessary, including checks required as part of due diligence to avoid unauthorised payments. When approaching the 2 year payment window, payment would be made next day rather than within 2 working days in an attempt to avoid any issues / tax implications.

The administration reports produced quarterly by Capita are reviewed by the Trustee. Performance against SLAs for the 2023 year was 81%. The reason for the SLA score was due to a back log in member cases as a result of a number of reasons carried forward from the previous operating year.

In collaboration with the Trustee, this backlog was cleared throughout 2023 and as such negatively impacted the SLA score. Going forward Capita will maintain the improved work position and look forward to an improved score throughout 2024.

The SLAs are reviewed periodically to ensure they remain appropriate and meet legislative requirements.

### **Accuracy**

Capita has stringent processes in place to ensure the accuracy of all financial transactions. Further details are set out below:

- A qualified member of staff within Capita's Financial Accounts department monitors the Trustee bank account daily. Their role is to advise of any issues such as unexpected payments or receipts, monitor cashflows to and from the account to ensure that the account has sufficient funds to pay member benefits when requested and to take action to rectify any identified funding issues.
- Capita team members provide a list of known upcoming transactions to the above finance accountant to allow cashflow forecasting relative to the payment of member benefits each month.
- Contributions are reconciled, processed and the investment transactions authorised by two senior members of the Capita administration team, including referral to more senior members of staff (managers, senior managers or directors) where the transaction value is greater than the maximum amount team members are able to authorise. Reconciliations are performed monthly by the administrator to confirm contributions received from the Company vs contributions expected based on current active membership records. The administrator also carries out unit holding reconciliations on a monthly basis to reconcile the total units held by the investment manager(s) in each investment fund at a Scheme level vs the total unit holdings held at a member level on the administrator's records. These unit reconciliations take place based on contract notes provide by the investment manager(s).

- All benefit calculations relating to retirements or transfers must be peer reviewed by a senior Capita administrator to ensure all calculations are performed correctly prior to the provision of benefit correspondence.
- All banking transactions undergo checks and due diligence to ensure they are performed correctly prior to the payment being allowed. The process is as follows:
  1. a processor must create the payment
  2. a checker then authorises the payment
  3. a further person who has sufficient authorisation limits will then sanction the payment (this person cannot be the same as the persons already noted before)

As mentioned in previous statements, there were several outstanding asset discrepancies noted, due to historic issues with lifestyling and bulk switches. Whilst a substantial amount of work has been undertaken by Capita to reduce the asset discrepancies and rectify the impacts to members, the remaining work to fully close these actions continues. The Trustee are staying in regular communication with Capita and will continue to monitor the work Capita is undertaking, until it has concluded.

Aside from the issues noted above, the Trustee is satisfied that all the other core financial transactions have been processed promptly and accurately during the period to which the Statement relates.

The Scheme's risk register details the key risks to Scheme members and is monitored and reviewed on at least an annual basis. The risk register sets out controls to mitigate the effects of these risks.

Core transactions require liaising with the investment managers. The Trustee holds a long-term unit-linked insurance contract arrangement with Aegon. The Trustee has delegated the day-to-day investment management of the DC and AVC Section assets to underlying investment managers: BlackRock Life Limited ("BlackRock"), HSBC Investment Funds (Luxembourg) S.A. ("HSBC"), Legal and General Investment Management ("LGIM"), and Insight Investment Management ("Insight"). The euro-denominated funds are provided by Irish Life Assurance Plc and managed by Irish Life Investment Managers Limited. The legacy policy is held with Scottish Widows.

#### **4) Net return on investments**

The tables below set out annualised net performance for the 1 and 5 year periods for the lifestyle arrangements (for ages 25, 45, and 55) and since inception for the self-select fund range.

The return figures in the tables below have been calculated in accordance with the statutory guidance



## Lifestyles

Age of member at start of period	Annualised returns to December 2023 (%)	
	1 year	5 years*
<b>Drawdown Lifestyle Profile (default)</b>		
25, 45	12.3	7.1
55	12.3	6.4
<b>Annuity Lifestyle Profile</b>		
25, 45	12.3	7.1
55	12.3	5.8
<b>Cash Lifestyle Profile</b>		
25, 45	12.3	7.1
55	12.3	6.3

Source: Aegon and Mercer.

As the growth phase is the same for all lifestyles, the returns for the 25y and 45y members are equal as well. Performance has been calculated based on a fixed weighted average of underlying fund performance in the lifestyle, with the weightings as at the ages shown.

\*Please note until 16 January 2020 the growth phase was composed by the 50% Aegon BlackRock Diversified Growth Fund and 50% Aegon BlackRock 50:50 Global Equity Index Fund. From that date, the growth phase is composed by 50% Pfizer Group Equity Fund and 50% Pfizer Group Diversified Growth Fund.

## Self-Select Funds

Self-select funds	Annualised returns to December 2023 (%)					Inception Dates**
	1 year	5 years	10 years	20 years	Since Inception	
Pfizer Group Equity Fund	17.8	-*	-*	-*	10.4	30/05/2019
Pfizer Group Pre-Drawdown Fund	7.8	-*	-*	-*	-0.6	30/06/2021
Aegon BlackRock UK Equity Index Fund	6.5	6.1	5.1	-*	7.0	31/10/2009
Aegon BlackRock World (ex-UK) Equity Index Fund	18.5	13.2	-*	-*	12.4	30/09/2014
Aegon BlackRock Emerging Markets Equity Index Fund	2.8	3.1	5.0	-*	3.8	31/07/2010
Pfizer Group Diversified Growth Fund	7.0	-*	-*	-*	2.7	30/05/2019
Aegon BlackRock Pre-Retirement Fund	6.4	-2.1	2.3	4.1	5.3	31/12/1993
Aegon BlackRock Over 5 Year Index Linked Gilts Index Fund	0.1	-5.0	1.9	-*	3.5	31/10/2009
Aegon BlackRock Over 15 Years Gilt Index Fund	1.5	-6.5	1.0	-*	2.6	31/10/2009
Aegon BlackRock Corporate Bond All-Stocks Index Fund	8.7	0.4	-*	-*	1.9	26/09/2015
Aegon BlackRock Cash Fund	4.6	1.3	0.9	-*	0.8	30/09/2010
Aegon HSBC Islamic Global Equity Index Fund	26.6	16.4	14.2	-*	11.0	31/01/2006
Aegon LGIM Future World Global Equity Index Fund	16.3	-*	-*	-*	8.9	31/05/2022

Self-select funds	Annualised returns to December 2023 (%)					Inception Dates**
Irish Life Indexed Global Equity Fund	18.9	***	***	***	12.5	01/02/2000
Irish Life Consensus Fund	14.2	8.4	7.8	-*	6.8	01/08/2004
Irish Life Pension Protection Fund	10.0	***	***	***	-6.3	01/07/2000
Irish Life Long Bond Fund	9.4	-2.4	2.4	-*	3.9	01/08/2004
Irish Life Cash	2.9	0.2	-0.1	***	0.9	01/07/2000
Scottish Widows With Profits	5.3	3.5	5.2	5.6	6.1	01/05/1997

Source: Aegon, Scottish Widows and Irish Life.

Performance shown net of all charges and transaction costs. Performance of standalone self-select options is independent of age, therefore performance is shown in a different format to the lifestyle performance on the previous page

\* Data not available due to the fund inception date.

\*\* Share class launch date.

\*\*\* Not available at the time of writing

## 5) Asset Allocation disclosure

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) and Pensions Dashboards (Amendment) Regulations 2023 (“the 2023 Regulations”) introduced new requirements for trustees and managers of certain occupational pension schemes.

For the first scheme year that ends after 1 October 2023, trustees or managers of relevant occupational pension schemes, are required to disclose their full asset allocations of investments from their default arrangements.

There are currently no performance-based fees being charged for the Scheme as at 31 December 2023.

For information on asset allocation for the current default and legacy default<sup>(a)</sup> lifestyles see below:

Asset class	Growth Phase	Drawdown Lifestyle	Annuity Lifestyle
	Allocation for members more than 8 years away from retirement (members aged 25, 45 and 55 years)* (%)	Allocation for members at retirement (65 years)* (%)	Allocation for members at retirement (65 years)* (%)
Diversified Growth	0.00%	0.00%	0.00%
Cash	2.86%	25.83%	25.65%
Fixed Income <sup>(b)</sup>	18.78%	46.88%	74.35%
Listed Equity	69.31%	17.10%	0.00%
Private Equity	0.00%	0.00%	0.00%
Infrastructure	0.00%	2.18%	0.00%
Property/real estate	0.00%	4.13%	0.00%
Private debt/credit	0.00%	2.63%	0.00%
Other	9.07%	1.28%	0.00%

\* Retirement is assumed to be at 65 years old as this is the default retirement date unless a member selects an alternative retirement age.

(a) Both lifestyles demonstrated above invest in both the Pfizer Group Diversified Growth Fund and the Pfizer Group Equity Fund evenly until 8 years to retirement.

(b) Fixed income allocation includes Corporate, Government and Other Bonds, as well as absolute return.

**Underlying funds in the default strategy, the Drawdown Lifestyle Strategy:**

Asset Class	Pfizer Group Equity Fund			
	Aegon BlackRock MSCI Currency Hedged World Index (45%)	Aegon LGIM Future World Global Equity Index Fund (45%)	Aegon BlackRock Emerging Markets Equity Index (5%)	Aegon LGIM Future World Emerging Markets Equity Index Fund (5%)
Diversified Growth	0.00%	0.00%	0.00%	0.00%
Cash	0.00%	0.00%	0.00%	0.00%
Fixed Income <sup>(b)</sup>	100.00%	100.00%	100.00%	100.00%
Listed Equity	0.00%	0.00%	0.00%	0.00%
Private Equity	0.00%	0.00%	0.00%	0.00%
Infrastructure	0.00%	0.00%	0.00%	0.00%
Property/real estate	0.00%	0.00%	0.00%	0.00%
Private debt/credit	0.00%	0.00%	0.00%	0.00%
Other	0.00%	0.00%	0.00%	0.00%

Asset Class	Pfizer Group Diversified Growth Fund		Pfizer Group Pre-Drawdown Fund	Cash	Annuity
	Aegon BlackRock Diversified Growth (60%)	Insight Broad Opportunities Fund (40%)	Aegon LGIM Retirement Income Multi-Asset	Aegon BlackRock Cash	Aegon BlackRock Pre-Retirement
Diversified Growth	0.00%	0.00%	0.00%	0.00%	0.00%
Cash	6.20%	5.00%	1.10%	100.00%	0.87%
Fixed Income <sup>(b)</sup>	44.60%	27.00%	62.50%	0.00%	99.13%
Listed Equity	43.30%	31.60%	22.80%	0.00%	0.00%
Private Equity	0.00%	0.00%	0.00%	0.00%	0.00%
Infrastructure	0.00%	0.00%	2.90%	0.00%	0.00%
Property/real estate	0.00%	0.00%	5.50%	0.00%	0.00%
Private debt/credit	0.00%	0.00%	3.50%	0.00%	0.00%
Other	5.90%	36.50%	1.70%	0.00%	0.00%

<sup>(b)</sup> Fixed income allocation includes Corporate, Government and Other Bonds, as well as absolute return.

Normal Retirement Date for the Scheme is age 65, members have the opportunity to select their own retirement date.

The following describes the types of investments covered by the above asset classes:

- Cash – Cash and assets that behave similarly to cash e.g. treasury bills. It only includes invested cash and not the cash balance held by the Scheme.
- Bonds – Loans made to the bond issuer, usually a government or a company, to be repaid at a later date.
- Listed Equity – Shares in companies that are listed on global stock exchanges. Owning shares makes the Fund a part owner of the company, entitled to a share of the profits (if any) payable as dividends.
- Private Equity – Unlisted equities that are not publicly traded on stock exchanges. Encompasses a broad range of investment styles, including:

- Venture Capital – Small, early stage businesses that may have high growth potential, albeit at significant risk.
- Growth Equity – Relatively mature companies that are going through a transformational event with potential for growth.
- Infrastructure: physical structures, facilities, systems, or networks that provide or support public services including water, gas and electricity networks, roads, telecommunications facilities, schools, hospitals, and prisons
- Property – Real estate, potentially including offices, retail buildings which are rented out to businesses.
- Private Debt – Other forms of loan that do not fall within the definition of a 'Bond'.
- Other – Any assets that do not fall within the above categories.

## **6) Charges and transactions costs**

As required by the Administration Regulations, the Trustee is required to report on the charges and transactions costs for the investments used in the Default as well as funds available as self-select options to members and their assessment on the extent to which the charges and costs represent good value for members.

Charges related to investment management are deducted from members' funds. There are two different types of investment charges, the annual management charge ("AMC") and the total expense ratio ("TER"). The AMC is the fee applied by the investment manager for managing the individual funds. The TER will be the same or higher and includes any additional expenses associated with the running and management of the funds such as custody costs (which will vary slightly from time to time).

In addition to investment management charges and the additional fund expenses included in the TER, investment funds are subject to other implicit costs, such as the investment manager's expenses associated with trading a fund's underlying securities, including commissions and stamp duty. These expenses, the transaction costs, are not explicitly deducted from the fund but are captured by a reduction in investment returns.

All other costs related to running the DC Section (including Irish Life investments) and the AVCs invested in the Aegon range of funds, including administration, advisory and member communication costs are paid by the Company. Members pay administration costs within the Scottish Widows policy.

### **DC Section and AVC Section - Aegon & Irish Life**

In the table below, we have provided details of the TERs for the investment funds held through the Aegon arrangement; this fund range applies to the Scheme's DC membership and some of the AVC investments and the TERs for the investment funds held with Irish life, the Irish Life fund range applies to the Scheme's DC membership who are based in Ireland. In addition, the table below also includes the transaction costs associated with each fund.

As at 31 December 2023, the Default was the Drawdown Lifestyle Profile. The total charges payable under the Default will vary depending on the stage that each member has reached in the lifestyle process. The charges on the funds used in the Default all fall below 0.75% p.a. and therefore comply with the charge cap legislation requirements.

These charges are deducted from the investments themselves via an adjustment in the unit price. The charges in the table below are those in place as at 31 December 2023.

<b>Fund Name</b>	<b>TER (%, p.a.)</b>	<b>Transaction Costs (%, p.a.)</b>
Pfizer Group Equity Fund	0.23	0.006
Pfizer Pre-Drawdown Fund	0.39	0.074
Aegon BlackRock UK Equity Index Fund	0.10	0.081
Aegon BlackRock World (ex-UK) Equity Index Fund	0.11	0.010
Aegon BlackRock Emerging Markets Equity Index Fund	0.33	0.000
Pfizer Group Diversified Growth Fund	0.62	0.247
Aegon BlackRock Pre-Retirement Fund	0.15	0.082
Aegon BlackRock Over 5 Year Index Linked Gilt Index Fund	0.11	0.149
Aegon BlackRock Over 15 Year Gilt Index Fund	0.11	0.029
Aegon BlackRock Corporate Bond All Stocks Index Fund	0.12	0.052
Aegon HSBC Islamic Global Equity Index Fund	0.45	0.015
Aegon BlackRock Cash Fund	0.13	0.015
Aegon LGIM Future World Global Equity Index Fund	0.21	0.017
Irish Life Indexed Global Equity Fund	0.19	0.008
Irish Life Consensus Fund	0.25	0.023
Irish Life Pension Protection Fund	0.16	0.000
Irish Life Passive Long Bond Fund	0.16	0.000
Irish Life Cash Fund	0.15	0.000

Source: Aegon and Irish Life as at 31 December 2023.

Transaction costs are over the Scheme year (12 month period ending 31 Dec 2023).

The charges and transactions costs have been calculated in accordance with the statutory guidance.

### Scottish Widows

The Scheme also has a legacy policy with Scottish Widows. Where the investments are held in With-Profits fund, due to the way in which With-Profits Funds are structured, any fee shown is indicative; actual charges are implicit and not explicitly stated. These funds are not subject to charge cap regulations. The Trustee undertook a review of these arrangements during January 2024.

<b>Fund Name</b>	<b>AMC* (%, p.a.)</b>	<b>Transaction Costs (%, p.a.)</b>
Scottish Widows With-Profits	0.875	-

Source: Scottish Widows as at 31 December 2023

Transaction costs are over the Scheme year (12 month period ending 31 Dec 2023).

\*TER not applicable for Scottish Widows With Profits Fund.

### Reporting of Costs and Charges

The Trustee has prepared an illustration detailing the cumulative effect of costs and charges typically paid by a member of the Scheme on their retirement savings pot. Using the charges and transaction cost data provided by Aegon and in accordance with regulation 23(1) (ca) of the Administration Regulations, as amended by the Occupational Pension Scheme (Administration and Disclosure) (Amendment) Regulations 2018 and the statutory guidance provided has been considered when providing these examples.

The latest guidance produced by the Department for Work & Pensions ('DWP') sets out that the Trustee and managers should present the impact of costs and charges typically paid by a member as a figure in pounds, or pounds and pence. It should use realistic assumptions and be representative of membership in terms of pot size, contribution rates, expected investment returns in real terms, time period and actual charges and costs.

The below illustration has taken into account the following elements:

- Savings pot size;
- Contributions;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time

**Illustration 1: Aegon Active Member**

	<b>Most Popular Fund: Drawdown Lifestyle Profile (default)</b>		<b>Most Expensive Fund: Pfizer/Wyeth Diversified Growth Fund</b>		<b>Least Expensive Fund: BlackRock Fixed Interest Gilts</b>	
<b>Age</b>	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
50	£164,986	£163,996	£163,649	£162,078	£166,307	£166,124
55	£195,618	£188,959	£186,667	£176,614	£204,811	£203,517
60	£225,809	£211,922	£210,675	£191,061	£248,376	£245,592
65	£247,077	£226,199	£235,714	£205,420	£297,665	£292,935

**Notes**

1. Values shown are estimates at end of each year and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. To make this analysis representative of the membership, the Trustee has based this assumed member on data sourced from the administrator. The assumed member is age 49, with a normal retirement age of 65, using a starting pot size of £159,160. The member's total contributions (including those from the employer) are assumed to be 15% of the member's salary per annum and is assumed to increase in line with inflation.
4. Inflation is assumed to be 2.5% per annum.
5. Charges, transaction costs and estimated growth rates are assumed as follows:

	<b>TER</b>	<b>Transaction costs*</b>	<b>Growth rate assumptions</b>
Drawdown Lifestyle Profile	0.43% p.a. for members 8 or more years from retirement, decreasing to 0.33% p.a. for members at retirement	0.18% p.a. for members 8 or more years from retirement; up to 0.24% for members approaching retirement and 0.11% for members at retirement and beyond	4.00% p.a. before inflation for members 8 or more years from retirement, falling to 2.50% p.a. before inflation for members at retirement
Pfizer/Wyeth Diversified Growth Fund	0.62% p.a.	0.34% p.a.	3.00% p.a. before inflation
BlackRock Fixed Interest Gilts	0.11% p.a.	Nil**	5.00% p.a. before inflation

Charge and costs figures provided by Aegon; growth rate assumptions provided by Mercer; member assumptions provided by Capita.

\* The transaction costs shown above are an average of the costs provided by Aegon for the 5-year periods to 31 December 2023.

\*\*This fund has reported a negative transaction cost over the period of this Statement; we have therefore assumed these costs to be nil, as negative costs are not expected to continue consistently over time.

The Trustee acknowledges the requirement to publish these illustrations on a website and this Chair's Statement can be found at the following web address [www.wyethpensiondirectory.co.uk](http://www.wyethpensiondirectory.co.uk). The annual benefit statements also include the web address to inform members where they can access this information.

The Trustee also publishes, at the same web address, a member-friendly infographic that summarises the highlights of their Chair's Statement and the Scheme accounts.

## **7) Value for Members**

In accordance with regulation 25(1)(b) of the Administration Regulations, the Trustee is required to undertake a review of the charges and transaction costs incurred by members in order to ascertain whether or not they represent good value for members.

The Trustee, with support from their advisers, Mercer Limited ("Mercer"), undertakes a value for members assessment, which they review and update in line with legislative requirements annually. The assessment conducted within this Scheme year using data as at 31 December 2023, was reviewed by the Trustee during Q2 2024. Following this review, the Trustee believes that the investment options available within the Scheme's DC Section (the Aegon and Irish Life arrangements) represent good value for money for members.

The reviews considered whether the DC Section's (and legacy policy's) overall benefits and options represented value for money in comparison to the costs payable by members. The assessment included consideration of:

- Investment charges for the default and core fund range including any performance based fees, which were determined to be competitive and comply with charge cap limits;
- The transaction costs applied to each of the funds over the year;
- Performance;
- The costs funded by the Company, (rather than the member) of:
  - Scheme administration,
  - The Trustee's advisory costs,
  - Member communications;
- Scheme governance;
- Investment design and range;
- Investment manager ratings;
- Member tools.

The conclusions from the 2023/24 review were as follows:

- Overall the review concluded that the Scheme provides good value for members.

### **Price**

- Charges for the Scheme's Default are lower than the charge cap of 0.75% per annum.
- The Scheme benefits from at or below median fee arrangements in respect of 6 of the 12 investment funds that have been considered in this analysis. Noting that we are unable to do the assessment for the Scottish Widows With-Profits fund as given the nature of the fund, as a TER is not applicable. For the Irish Life funds, the peer group used in this analysis is not representative and has only been included for illustration purposes.

- As at 31 December 2023, the default investment option is the lifestyle strategy targeting drawdown. This lifestyle strategy is compliant with the charge cap and each of its underlying components are included as part of the assessment.
- Six funds lie in the mid-upper quartile range: the Pfizer Group Equity Fund, the Pfizer Group Diversified Growth Fund, the BlackRock Emerging Markets Equity Fund, the BlackRock Annuity Protection Fund, the BlackRock Index Linked Gilts Fund and the BlackRock Fixed Interest Gilts Fund. The Trustee is currently trying to negotiate a lower fee with the platform provider, Aegon.
- Within the Irish Life fund range, a price assessment was not undertaken as there was not available data to create a representative peer group pricing for these funds, given that they are based on a different regional market.

### **Performance**

- Performance for 9 of the 11 funds on the Aegon platform were rated 'green' over the three-year period to 31 December 2023, with the Pfizer Group Diversified Growth fund and the BlackRock UK Equity showing as 'red'. The BlackRock UK Equity Fund underperformed its benchmark. This is because BlackRock uses a customer ESG Screened 12 Noon pricing index which is what the underlying fund is compared against. Aegon do not have access to this index so they use the standard FTSE All Share Index as the benchmark in their reporting for this fund. The fund produced annualised returns of 7.8% over the 3 year period which the Trustee is comfortable with. In respect of the Pfizer Group Diversified Growth fund we note that 2022 was a challenging year and heavily impacted returns over the period assessed and the benchmark for this fund is an absolute return target meaning that during periods of significant stress this fund is expected to underperform. Finally, the three year performance for LGIM Future World Global Equity Fund and the Pfizer Group Pre-Drawdown Fund were not available as the funds were only implemented in June 2022 and June 2021 respectively and so these have not been rated as part of the assessment.
- Performance for the funds on the Irish Life platform for the same three-year period were all rated 'green'. For passive funds the green rating means the fund has performed within its tracking error tolerance range (before fees) and for active funds it means it has met or outperformed its target.
- All the rated funds (with the exception of one which scored a B+) achieved a Mercer A rating, meaning they have been assessed to have above average prospects of outperformance/tracking.
- As at 31 December 2023, the Wyeth Scheme had with-profits investments in a Scottish Widows policy. Assessing the value for money of with-profits funds is directly related to an individual's attitude towards, and capacity for, investment risk. An individual may find comfort in the fact that a fund provides guarantees; whether that is a guaranteed pension, investment return or capital security. Therefore, the review considered it inappropriate to reach a general conclusion on value for members for the with-profits fund as this will vary from policy to policy and by member.

Additionally, wider factors supplement this assessment, such as the use of a DC Committee to govern the Scheme, the payment of administration fees by the Company, the focus on improving member communications and engagement and the payment of the advisory costs associated with operating the Scheme by the Company. Capita provides members with an online service that allows members to switch funds and has other tools to assist members. These factors further enhance the value that members receive.

The Trustee took into account the statutory guidance when undertaking the value for member assessment.



## 8) Trustee Knowledge and Understanding (“TKU”)

Sections 247 and 248 of the Pensions Act 2004, require the Trustee to maintain an appropriate level of knowledge and understanding which, together with professional advice which is available to them, enables them to properly exercise their functions and duties in relation to the Scheme.

Trustee training is of high importance to the good running of the Scheme. The Trustee acknowledges how vital it is to maintain knowledge of pension law, trust law, investment principles and is conversant with the Scheme documentation including the Trust Deed and Rules, SIP, statement of funding principles and Scheme policies. The Trustee receives regular updates from their advisors on changes required to their Scheme documentation and will update their SIP following advice from their investment consultant and following any changes made to the Scheme's investments.

In order to maintain this high level of knowledge, the Trustee has procedures and policies in place:

- The Scheme has appointed a professional trustee, who undertakes additional training to ensure that they keep up to date with changes in legislation, current issues and the latest developments;
- The DC Committee is made up of the Trustee and Company representatives that met quarterly over the year to discuss DC specific issues;
- The Trustee, advisers and the DC Committee are also prepared to meet on an ad-hoc basis in addition to scheduled meetings;
- Minutes are taken for all DC Committee meetings as a record of the items discussed;
- DB matters are dealt with separately at different meetings;
- All training activities are recorded in a training log;
- Trustee training is undertaken by the professional trustee as part of their ongoing development, if required, training sessions are planned accordingly;
- Regular DC Committee agenda items include investment monitoring, scheme risks, administration, communications, legal updates and Trustee training;
- There is an established Terms of Reference in place that sets out the details of the delegation to the DC Committee, which is regularly reviewed. It was updated in spring 2023 following the change in Trustee the previous quarter.
- The Trustee maintains a risk register.

### **Training**

Law Debenture has been the professional Trustee in place since 4<sup>th</sup> November 2022. Over the Scheme year to 31 December 2023, the Trustee continued to be committed to frequent, formal and ad-hoc training, including but not limited to:

- Insurance linked strategies
- Pension Dashboards
- TCFD and reporting metrics
- Cost transparency and benchmarking
- DC news and views quarterly updates

### **Professional Trusteeship**

The Trustee is required to have appropriate knowledge of the law and practice relating to pensions and trusts, as well as an understanding of the matters relating to funding and investment of assets of occupational pension schemes and other matters to run the Scheme effectively. The Trustee is also required to be conversant with the Scheme's governing documents. Since the appointment of Law Debenture from 4 November 2022, these requirements have been met, by virtue of:

- As the sole Trustee of the Scheme, Law Debenture is an established provider of independent pension trusteeship services in the UK. It provides professional high quality trustee services to around 200 trust-

based pension schemes. Its Directors are senior professionals from a range of backgrounds who are based and work together both in a virtual environment and offices based in London, Manchester and Dublin. This means they can collaborate on the whole range of technical and client-specific matters, including the funding and investment of occupational pension schemes. It ensures that each scheme benefits from their collective knowledge and understanding of the law relating to pensions and trusts and their experience of applying this knowledge and experience across a range of schemes and scenarios to ensure pragmatic, timely and cost effective input.

- Under Law Debenture's TKU framework, all of its Directors complete the Pensions Regulator's Trustee Toolkit online training and are members of the Association of Professional Pension Trustees.
- All Directors also undertake continuous professional development (CPD) activity. This includes:
  - A programme of external meetings with external advisers, fund managers, investment banks and other industry participants to discuss developments in their respective areas.
  - Bespoke training sessions on current, technical and market developments in the pensions industry.
  - Investment and pensions seminars and conferences including moderating sessions and speaking.
  - Participation within a range of trade associations and professional bodies including the Pensions Management Institute, the Institute and Faculty of Actuaries, the Association of Professional Pension Trustees, the Society of Pension Professionals, and the Pension Fund Investment Forum.
- In addition to CPD activity, Law Debenture has a comprehensive management and reporting structure centred on ongoing staff development, peer input and peer review.
- Directors hold regular management meetings and bi-annual away days where business strategy, regulatory matters and client case studies were discussed, for example, this may include DC-specific sessions on the new General Code Regulations, private investment markets, Value For Money Assessments and the new Collective Defined Contribution pension vehicles.
- Law Debenture's sole trustee governance model combined with its TKU framework is designed to ensure that schemes are run to high standards. The sole trustee governance model includes reporting against agreed plans and objectives to the scheme sponsor. There is a quarterly internal peer review process and documented approval of two Trustee Directors for key decisions and signing of significant scheme documents. Peer reviews follow a set format, which incorporates a review of scheme activity, regulatory requirements, and performance against objectives. Copies of scheme documents and correspondence are maintained in an accessible electronic folder structure. This framework ensures a working knowledge of the scheme documents, including the Trust Deed and Rules, the Statement of Investment Principles and the Trustee's current policies, and up-to-date knowledge of the scheme.
- In addition, Law Debenture obtains annually an independent report under technical release AAF 02/07 of the Audit and Assurance Faculty ("AAF") of the Institute of Chartered Accountants in England & Wales ("ICAEW"). This is subject to external audit and demonstrates that Law Debenture operates sound internal procedures and controls and is committed to high standards of governance, thereby minimising exposure to risk on the part of the schemes to which it is appointed.
- The Trustee also had access to legal and other professional advice as and when required during the reporting period.

### **Trustee Induction**

New Trustees are provided with access to an online document site which contains important Scheme documents, including the meeting papers from past and upcoming meetings so they can familiarise themselves with them. New professional Trustees are inducted with an updated actions list and a letter depicting the status and details of the Scheme. The professional Trustees are expected to maintain and develop sufficient knowledge and education of Trusteeship to enable them to run the Scheme effectively.

### **Examples Demonstrating TKU**

The Trustee undertook a number of activities over the past year, which demonstrates how they have a working knowledge of pension & trust law, funding & investment principles, the Trust Deed and Rules and the SIP. These activities include:

Requirement	How met
The Trustee must describe and demonstrate a working knowledge of the Trust Deed and Rules	<p>The Trustee is conversant with, and has a working knowledge of, the Trust Deed and Rules.</p> <p>If there are ever any ambiguities over the interpretation of the Rules legal advice is sought from the legal advisors, Allen &amp; Overy LLP.</p> <p>One example of where this was demonstrated was when Allen &amp; Overy LPP provided the Trustee with advice and guidance in relation to a lifestyle rebalancing issue that arose.</p> <p>All guidance provided by Allen &amp; Overy LLP will have had respect to the relevant clauses in the Trust Deed and Rules and thereby help the Trustee remain conversant with the Rules and important powers and duties.</p>
The Trustee must describe and demonstrate a working knowledge of the current Statement of Investment Principles	<p>The Trustee is conversant with, and has a working knowledge of, the current SIP. The Trustee undertakes regular training on investment matters and is confident that the Trustee has sufficient knowledge of investment matters to be able to challenge their adviser if and when appropriate.</p> <p>The SIP was last updated in April 2022 to reflect the investment changes undertaken in the Scheme, with further updates to include the Trustee's policy on illiquid investments in March 2024.</p> <p>In June 2023, the Trustee completed the Implementation Statement which sets out how the policies in the SIP had been followed over the course of the previous year. The Trustee is currently undertaking their latest Implementation Statement updates to cover the period from 1 Jan 2023 - 31 Dec 2023. The final Implementation Statements are published on the Wyeth Pensions Directory <a href="https://www.wyethpensiondirectory.co.uk/">https://www.wyethpensiondirectory.co.uk/</a></p>
The Trustee must describe and demonstrate a working knowledge of all documents setting out the trustee's current policies	<p>The Trustee has full access, oversight and knowledge of the Trustee's current DC policies. The Trustee is conversant with all the Scheme policies, including but not limited to the following:</p> <ul style="list-style-type: none"><li>• Conflicts of interest policy</li><li>• Policy on reporting to tPR</li><li>• Risk policies</li><li>• Training policy</li><li>• Terms of Reference for DC Committee</li></ul>

Requirement	How met
	<ul style="list-style-type: none"> <li>• CMA objectives</li> </ul> <p>The full Scheme risk register is reviewed and updated regularly and covers both DC and wider pension risks.</p> <p>Given the change of Trustee over the course of 2022, the DC Committee has re-written their Terms of Reference to set out their duties and responsibilities. The updated Terms of Reference was shared in April 2023.</p>
The Trustee must describe and demonstrate that they have sufficient knowledge and understanding of the law relating to pensions and trusts	<p>At the Trustee meetings, which were held quarterly over 2023, advisers reported on forthcoming changes to regulations, their potential impact on the Scheme and the actions required to ensure compliance. In doing so, the Trustee remained informed about changes to pension laws and their duties in relation to those laws.</p> <p>The Trustee appoints Allen &amp; Overy LLP as legal advisers. The Trustee consults with their legal advisers as and when queries arise. Having the legal advisers to consult with helps the Trustee remain conversant with important powers and duties set out in pension trust law.</p> <p>The Trustee has undertaken training on the Pensions Dashboard in anticipation of its forthcoming implementation. The Trustee has been preparing for the new General Code which came into force from 28 March 2024 and are familiar with all its new requirements.</p>
The Trustee must describe and demonstrate that they have sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational scheme	<p>The Scheme is a hybrid Scheme, containing both DB and DC sections, the Trustee therefore appoints a Scheme Actuary to advise on funding related issues.</p> <p>The Trustee also appoints a DC specific investment consultant who advises on the relevant principles relating to the DC investment of the Scheme.</p> <p>The advisers attend meetings each quarter, provide training and ensured the Trustee has up to date and sufficient knowledge and understanding of investment and funding principles.</p> <p>The SIP was fully updated following the investment changes implemented in April 2022, with further updates being added to the SIP around illiquid investments following the Scheme year end, in March 2024, demonstrating an understanding of investment principles.</p>
The Trustee must describe and demonstrate that their combined knowledge and understanding, together with available advice, enables them to properly exercise their functions	<p>The Trustee appoints qualified advisers including the Scheme Actuary, investment advisers, legal advisers, administrators and communication consultants. These advisers regularly attend meetings and keep the Trustee up to date with any relevant training.</p> <p>The Trustee continues to delegate DC matters to the DC Committee which also includes company representatives with particularly skills and knowledge in pensions. This ensures, together, as a group, they have combined specialities and knowledge that covers all Scheme matters.</p> <p>With the appointment of Law Debenture the professional trustee</p>

Requirement	How met
	<p>has wide ranging knowledge and expertise and is able to challenge the Scheme's advisors if and when appropriate to do so.</p> <p>Ongoing knowledge and training is important to the Trustee. As a professional Trustee, Law Debenture meets a higher standard of knowledge and understanding than would be required from a lay trustee.</p>

### ***Utilising Advisors***

The Trustee believes that the best run schemes utilise the combined skill and knowledge of both the Trustee and their professional advisors. The relevant skills and experience of those advisors are key criteria when evaluating advisor performance and selecting new advisors. Additionally, the following measures have applied during the period:

- The Trustee's professional advisors attend their formal meetings;
- The DC Committee comprises of individuals with wide ranging skills and experience, including pension experience;
- The Trustee receives briefings from their advisors on all legislative and regulatory developments at each meeting;
- The DC matters are addressed at specific DC committee meetings, attendees comprise of both the Trustee, Company representatives and advisors who have the most knowledge and skill of this area.

### ***Assessing Effectiveness***

The Trustee understands that having knowledge and professional advice available is essential, but this also needs to be used effectively in order for the Scheme to be run properly. The Trustee must have the necessary skills, in order to perform at a high level. An individual's skill equips them to identify opportunities, manage risks, challenge professional advice and understand the evolving needs of their members. The Scheme has attained these skills by bringing together individuals with different perspectives, experience and beliefs, to form a DC Committee which brings diversification and leads to higher quality decision making and monitoring. The Trustee believes that the knowledge and understanding of the Trustee (as described above) supplemented by the advice received from the Trustee's professional advisers (as described above), enable the Trustee to properly exercise their functions as Trustee of the Scheme.

The examples below demonstrate the actions which has been taken to ensure this is the case:

- At the beginning of each year the Trustee produces a DC specific business plan. Throughout the year regular monitoring of progress against the business plan ensures the Trustee is performing effectively and is meeting the objectives set out.
- The Trustee delegates DC governance to the DC Committees, (of which the Trustee is part of) and advisors who specialise in the relevant areas.
- The Trustee maintains a conflicts of interest policy which identifies any possible conflicts. Any conflicts arising are declared at the start of meetings.

**Name:** Bill Jangra

**Position:** Trustee of the Wyeth Group Pension and Life Assurance Scheme 1997

**Date:** 30/07/2024

**Name:** Samantha Pitt

**Position:** Trustee of the Wyeth Group Pension and Life Assurance Scheme 1997

**Date:** 30/07/2024

## **Appendices**

Appendix 1A – Additional Charge and Cost Illustrations

Appendix 1B – Statement of Investment Principles

# Appendix1A - Additional Charge and Cost Illustrations

## ***Illustration 2: Aegon Deferred Member***

Age	Drawdown Lifestyle Profile (default after 18 Jan 2022)		Most Expensive Fund: Pfizer/Wyeth Diversified Growth Fund		Least Expensive Fund: BlackRock Fixed Interest Gilts	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
55	£23,916	£23,772	£23,680	£23,452	£24,177	£24,151
50	£28,337	£27,273	£27,095	£25,571	£30,696	£30,494
65	£32,158	£30,038	£31,003	£27,882	£38,971	£38,502

### **Notes**

1. Values shown are estimates at end of each year and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. To make this analysis representative of the membership, the Trustee has based this assumed member on data sourced from the administrator. The assumed member is age 54, with a normal retirement age of 65, using a starting pot size of £23,050. The member is assumed to be making no further contributions to the Scheme.
4. Inflation is assumed to be 2.5% per annum.
5. Charges, transaction costs and estimated growth rates are assumed as follows:

	TER	Transaction costs*	Growth rate assumptions
Drawdown Lifestyle Profile	0.43% p.a. for members 8 or more years from retirement, decreasing to 0.33% p.a. for members at retirement	0.18% p.a. for members 8 or more years from retirement; up to 0.24% for members approaching retirement and 0.11% for members at retirement and beyond	4.00% p.a. before inflation for members 8 or more years from retirement, falling to 2.50% p.a. before inflation for members at retirement
Pfizer Diversified Growth Fund	0.62% p.a.	0.34% p.a.	3.00% p.a. before inflation
BlackRock Fixed Interest Gilts	0.11% p.a.	Nil**	5.00% p.a. before inflation

Charge and costs figures provided by Aegon; growth rate assumptions provided by Mercer; member assumptions provided by Capita.

\*The transaction costs shown above are an average of the costs provided for the 5 year periods to 31 December 2023.

\*\*This fund has reported a negative transaction cost over the period of this Statement; we have therefore assumed these costs to be nil, as negative costs are not expected to continue consistently over time.

### Illustration 3: Irish Life Deferred Member

Age	Most Popular Fund: Irish Life Strategy C – 5 Year Switching		Most Expensive Fund: Irish Life Consensus Fund		Least Expensive Fund: Irish Life Cash Fund	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
54	£23,839	£23,791	£23,387	£23,322	£22,468	£22,434
55	£24,915	£24,815	£23,978	£23,845	£22,131	£22,064
60	£31,026	£30,590	£27,165	£26,643	£20,520	£20,306
65	£35,261	£34,460	£30,776	£29,769	£19,027	£18,687

#### Notes

1. Values shown are estimates at end of each year and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. To make this analysis representative of the membership, the Trustee has based this assumed member on data sourced from the administrator. The assumed member is age 53, with a normal retirement age of 65, using a starting pot size of €22,810. The member is assumed to be making no further contributions to the Scheme.
4. Inflation is assumed to be 2.5% per annum.
5. Charges, transaction costs and estimated growth rates are assumed as follows:

	TER	Transaction costs*	Growth rate assumptions
Irish Life Strategy C – 5 Year Switching	0.19% p.a. for members 6 or more years from retirement, decreasing to 0.16% p.a. for members at retirement	0.01% p.a. for members 6 or more years from retirement; 0.00% for members at retirement and beyond.	7.00% p.a. before inflation for members 6 or more years from retirement, falling to 4.00% p.a. before inflation for members at retirement
Irish Life Consensus Fund	0.25% p.a.	0.03% p.a.	5.00% p.a. before inflation
Irish Life Cash Fund	0.15% p.a.	0% p.a.	1.00% p.a. before inflation

Charge and costs figures provided by ILIM (Irish Life Investment Managers); growth rate assumptions provided by Mercer; member assumptions provided by Capita.

\* The transaction costs shown above are an average of the costs provided for the 5 year periods to 31 December 2023.



## Appendix 1B

# Wyeth Group Pension and Life Assurance Scheme (1997)

## Statement of Investment Principles – June 2024

### 1. Introduction

The Trustee of the Wyeth Group Pension and Life Assurance Scheme (1997) (the "Scheme") has drawn up this Statement of Investment Principles (the "Statement") in compliance with the requirements of the Pensions Act 1995 (the "Act") and subsequent legislation. As required under the Act the Trustee has consulted a suitably qualified person and has obtained written advice from Mercer Limited. 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). The Trustee in preparing this Statement has also consulted the participating employer.

The Scheme is divided into two main parts: (i) the Defined Contribution ("DC") Section and (ii) the Defined Benefit ("DB") Section which refers to the assets related to pensioners and deferred pensioners as at 1<sup>st</sup> April 1997, and the entitlement of active members to the extent that the Best Benefit Guarantee ("BBG") would provide a benefit with a greater value than their accumulated DC funds. Section 2 of this Statement deals specifically with the DC Section and Section 3 deals specifically with the DB Section whilst Sections 4, 5 and 6 cover both DB and DC.

### 2. The Defined Contribution Section

Overall investment policy falls into two parts. The provision of suitable investment options to members is fundamentally the responsibility of the Trustee acting on advice from its investment consultant, Mercer Limited and is driven by its investment objectives as set out in Section 2.1 below. The remaining elements of policy are part of the day-to-day management of the assets which is delegated to professional investment managers and described in Section 2.5. Decisions on appointment and retention of investment managers are taken by the Trustee on advice from its investment consultant.

#### 2.1 Objectives

The key objectives of the Trustee in relation to the DC Section are as follows:

- To establish a default strategy which will offer a high-quality solution appropriate for the majority of members saving into the DC Section;
- Alongside the default strategy, provide a range of self-select funds to meet the diversity of member needs throughout their working lives;
- To provide both the default strategy and the range of self-select funds at a competitive price thus allowing members to benefit from retaining a higher share of the investment growth on their savings;
- To implement and deliver an attractive and compelling communication and engagement strategy that reflect the needs of members, specifically taking into account the nature of the Scheme and the investment arrangements that are provided;

- To explore, with the key stakeholders, the ability to make accessible to members the flexibilities in relation to DC savings that are now available;
- To put in place the necessary governance framework that will allow the ongoing suitability of the DC Section, including the suitability of the investment arrangements, to be monitored over time.

## 2.2 **Strategy**

The Trustee makes available a range of funds and lifestyle strategy options for the DC Section of the Scheme which it believes provide appropriate strategic choices for members' different saving objectives, risk profiles and time horizons. Members themselves determine the fund(s) in which they choose to invest.

Members who do not indicate a preference are invested in the default option which includes lifestyling towards taking their benefits at retirement via income drawdown. In addition, the DC Section of the Scheme has a legacy default option which was designed for a typical member who intends to access their benefits via annuity purchase at retirement. Members' assets are de-risked as they approach retirement. More information on the default strategy is included in Appendix A – Statement of Investment Principles – Default Options.

In addition, the alternative lifestyle strategy is available to members that reflect the alternative ways in which members might take their benefits at retirement (Cash) and also for members wishing to invest in euro denominated investments.

All funds are daily-dealt pooled investment arrangements with assets mainly invested on regulated markets. It is the Trustee's policy to offer both active and passive management options to members, depending on asset class.

A range of asset classes has been made available, including: developed market equities, emerging market equities, equities with an ESG focus, real estate, money market investments, gilts, index-linked gilts, diversified growth funds and preretirement funds.

Members can combine the investment funds in any proportion in order to determine the balance between different kinds of investments. This will also determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerances. Each of the available funds is considered to be diversified across a reasonable number of underlying holdings / issuers.

## 2.3 **Policies in relation to illiquid assets**

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 Scheme's default arrangement includes no direct allocation to illiquid investments or to investments via a collective investment scheme. The other funds used in the default do not invest in any underlying illiquid assets.

The Trustee understands the potential for higher returns and benefits of diversification benefits 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, it is 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 Scheme. The Trustee remains comfortable with the funds used in the default option, and annually assess whether the funds used provide value for members.

In selecting investments for the default 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 option on at least a triennial basis. Such reviews will include whether the incorporation of illiquid asset investments is appropriate.

## 2.4 Risk

The Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed:

Risk	How it is managed	How it is measured
<b>Inflation Risk</b>	<p>The Trustee provides members with a range of funds, across various asset classes, with the majority expected to keep pace with inflation (with the exception of the money market and fixed interest bond funds).</p> <p>Members are able to set their own investment allocations, in line with their risk tolerances.</p>	<p>Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.</p>
<b>Pension Conversion Risk</b>	<p>The Trustee makes available three lifestyling strategies for DC members, each targeting either cash, drawdown or annuity.</p> <p>Lifestyle strategies automatically switch member assets as they approach retirement into investments that are expected to be less volatile relative to how they wish to access their pension savings. These lifestyling strategies increase the proportion of assets that more closely match the chosen retirement destination as members approach retirement. This aims to reduce the risk of a substantial fall in the purchasing power of their accumulated savings near retirement.</p>	<p>Considering the returns of the funds used within the switching phase of the lifestyle strategy both in absolute terms as well as relative to inflation, cash or annuity prices (depending on their selected retirement destination).</p>

Risk	How it is managed	How it is measured
<b>Market Risk (including idiosyncratic market risk events e.g. pandemic events)</b>	<p>a. The Trustee provides members with a range of funds, across various asset classes and geographies. Members are able to set their own investment strategy in line with their risk tolerances. Extreme market events may not impact all asset classes in the same way and members are able to allocate their funds across a range of asset classes to diversify market risk.</p> <p>b. For the multi-asset funds which are targeting non-market benchmarks this is delegated to investment managers.</p>	Monitors the performance of external investment funds on a quarterly basis.
<b>Counterparty Risk</b>	<p>c. Delegated to external investment manager.</p> <p>d. Members are able to set their own investment allocations, in line with their risk tolerances.</p>	Monitors the performance of external investment funds on a quarterly basis.
<b>Currency Risk</b>	<p>The Trustee provides diversified investment options that invest in local as well as overseas markets and currencies.</p> <p>Delegated to investment managers.</p> <p>Members are able to set their own investment allocations, in line with their risk tolerances.</p>	<p>Monitors the performance of external investment funds on a quarterly basis.</p> <p>Considers the movements in foreign currencies relative to pound sterling.</p>
<b>Operational Risk</b>	<p>Review of Aegon's operational processes at the time of their appointment.</p> <p>The Trustee plans to undertake annual reviews of Aegon going forward.</p>	Monitor developments at Aegon, taking advice from the Investment Consultant.

Risk	How it is managed	How it is measured
<b>Liquidity Risk</b>	The Trustee accesses daily dealt and daily priced pooled funds.	The pricing and dealing terms of the funds underlying the unit-linked insurance contract.
<b>Valuation Risk</b>	<p>e. Some multi-asset managers may hold illiquid assets. In such cases, the management of valuation risk is delegated to the external investment manager.</p> <p>The majority of investment managers invest solely in liquid quoted assets.</p>	The Trustee monitors performance of funds on a quarterly basis, and where relevant delegates the monitoring of valuation risk to the Investment Consultant.
<b>Environmental, Social and Governance Risk</b>	<p>f. Delegated to external investment managers.</p> <p>g. The Trustee's policy on ESG risks is set out in Section 4.3 of this Statement.</p>	The Trustee reviews its external investment managers' policies and actions in relation to this on an annual basis.
<b>Climate Change Risk</b>	h. The Trustee regularly monitors and reviews the fund managers' experience to consider climate change risks.	<p>The Trustee is considering how to monitor and assess climate change risk through various metrics.</p> <p>The Trustee assesses managers' voting and engagement activity on an annual basis.</p>
<b>Manager Skill / Alpha Risk</b>	<p>i. The Trustee makes available a number of actively managed funds to DC members where they deem appropriate; for example, multiasset funds.</p> <p>j. The actively managed funds made available are highly rated by their Investment Consultant, based on forward-looking expectations of meeting objectives.</p>	<p>The Trustee considers the ratings of investment strategies from their Investment Consultant during the selection process.</p> <p>The Trustee monitors performance and rating of funds on an ongoing basis relative to the fund's benchmark and stated targets/objective</p>

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable based on member demand.

The above items listed in Sections 2.2 and 2.4 of this Statement are in relation to what the Trustee considers 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

### **2.5 Day to Day Management of the Assets**

Pooled investment funds are made available to members of the Scheme via an investment platform provided by Aegon. The platform is accessed through a direct (long-term) insurance contract between the Trustee and Aegon. Pooled funds accessed through the platform are managed by underlying investment managers.

The safe custody of the Scheme's assets is delegated to professional custodians, as appointed by the governing bodies of the respective pooled funds.

#### ***Buying and Selling Investments***

The investment manager has responsibility for buying and selling the underlying assets. All of the pooled funds used are daily dealt. The investment managers have discretion in the timing of realisation of investments and in considerations relating to liquidity of those investments within parameters stipulated in the relevant appointment documentation. The day to day activities which the investment manager carries out are governed by the arrangements between them and BlackRock, HSBC or Insight which are reviewed from time to time to ensure that the operating instructions, guidelines and restrictions remain appropriate.

### **2.6 Implementation**

For the Defined Contribution Section of the Scheme the Trustee has contracted with Aegon to deliver investment management services through their investment platform. Aegon are regulated by the Financial Conduct Authority (the "FCA").

### **2.7 Governance**

The Trustee is responsible for the investment of the Scheme's assets. The Trustee takes some decisions themselves and delegates others to the DC Committee. When deciding which decisions to take and which to delegate, the Trustee has taken into account whether the DC Committee has the appropriate training and access to expert advice in order to take an informed decision.

The "DC Committee" means a committee, composed of the Trustee of the Pfizer Group Pension Scheme, the Trustee of the Wyeth Group Pension and Life Assurance Scheme (1997) and employer representatives, set up to assist with the oversight of the DC sections of both schemes.

The Trustee has a clearly defined governance structure which includes an agreed Terms of Reference for the DC Committee and also documents governing the services provided by the investment adviser, custodians and fund managers. The duties and powers of the DC Committee are as provided for within the DC Committee Terms of Reference as amended from time to time.

### 3. The Defined Benefit Section

Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustee acting on advice from its investment consultant, Mercer Limited and is driven by its investment objectives as set out in Section 3.1 below and the risk constraints as set out in 3.2 below. The remaining elements of policy are part of the day to day management of the assets which is delegated to professional investment managers and described in Section 3.4. Decisions on appointment and retention of investment managers are taken by the Trustee on advice from its investment consultant and described in Section 5.

In March 2018 the Trustee entered into insurance policy with Just Retirement Limited ("Just"), to cover a portion of the liabilities of the Defined Benefit Section in respect of members who were pensioners at the time. In April 2021, the Trustee entered into an insurance policy with Aviva to cover the majority of the remaining Defined Benefit liabilities. The Trustee now holds the insurance policies as assets of the Scheme. The Trustee remains responsible for paying the pensions to these members. In practice, Just and Aviva make monthly payments into the Trustee bank account, and the Scheme's administrator then pays these monies to the members.

#### 3.1 *Investment Objectives*

The Trustee's primary objective is to invest the Scheme's assets in the best interest of the members and beneficiaries to ensure pension obligations can be met as and when they are due.

The Trustees have invested the majority of the Scheme's assets in bulk annuity contracts with Just and Aviva. The contracts are buy-in policies. In addition to the buy-in policies, there is a small balance in a BlackRock Liquidity Fund, which will be used to meet remaining liabilities.

#### 3.2 *Risk*

There are various risks to which the Scheme is exposed, albeit these have, to a large extent, been mitigated by investing in the bulk annuity policies.

- Bulk annuity providers risk – The principal risk facing the Trustee and the Scheme's members is that Just and Aviva may default on their obligations under the annuity contract to meet all future benefits (as contracted). Before entering into the contracts with Just and Aviva, the Trustee obtained and carefully considered professional advice regarding the financial strength of Just and Aviva and concluded that the risk was acceptably low.
- Liquidity risk - The Trustee recognises that there is liquidity risk in holding assets that are not readily marketable and realisable. All of the Scheme's investible assets (i.e. all assets excluding the bulk annuities) are realisable at short notice.
- Manager risk - The Scheme's remaining assets are invested with BlackRock. The Trustee is comfortable with the risk associated with only one investment manager, given the low-risk nature of this investment.
- Regulatory and political risk - There is the potential for adverse regulatory or political change. Regulatory risk arises from investing in a market environment where the regulatory regime may change. This may be compounded by political risk in those environments subject to unstable regimes. The Trustee invests in a manner which seeks to minimise the impact of any such regulatory or political change should such a change occur.

The documents governing the appointment of BlackRock include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme. BlackRock is prevented from investing in asset classes outside their mandate without the Trustee's prior consent.

The safe custody of the Scheme's investible assets is delegated to professional custodians (via the use of pooled vehicles).

Should there be a material change in the Scheme's circumstances, the Trustee will review whether (and to what extent) the investment arrangements should be altered; in particular whether the current risk exposure remains appropriate.

### **3.3 Investment Strategy**

The day-to-day management of the Scheme's investible assets (the assets of the Scheme excluding the bulk annuities) is delegated to BlackRock, who manage the assets on a discretionary basis; these guidelines are set out in Section 3.4. The overall investment strategy is as follows:

<b>Fund Name</b>	<b>Benchmark</b>	<b>Strategic Benchmark</b>
BlackRock Liquidity Fund	GBP SONIA	100.0%
<b>Total</b>		<b>100.0%</b>

The Trustee believes that the resulting asset mix is currently appropriate for meeting the objectives set out in Section 3.1 and controlling the risks identified in Section 3.2.

### **3.4 Day to Day Management of the Assets**

The Scheme has bulk annuity contracts with Just and Aviva which accounts for the vast majority of the Scheme's assets. The annuity providers are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and is registered in the United Kingdom.

The Trustee invests the Scheme's remaining assets in a pooled liquidity fund with BlackRock. This is a low-risk fund, with a primary objective to perform in line with short term cash rates which is commensurate with the Trustee's own objective. There is no set duration for this manager appointment however, if the investment objective changes, the Trustee will review the appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

The investment manager is aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then they will look to replace the manager.

The Trustee receives investment manager performance reports on a quarterly basis, which present performance information over 3 months, 1 year, 3 years and since inception. The Trustees 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).



### 3.5 Fees

The following fee is charged for the fund the Scheme is invested in:

#### **BlackRock**

<b>Fund</b>	<b>Charges (% per annum)</b>
Liquidity Fund	0.125

There is a minimum fee of £3,750 per quarter in respect of the assets managed.

## 4. Defined Contribution & Defined Benefit – Both Sections

### 4.1 Additional Voluntary Contributions

Assets in respect of members' additional arrangements are held in Scottish Widows With-Profits Fund.

### 4.2 Monitoring the Investment Managers

The Trustee receives investment monitoring reports from the managers and from its investment consultant on a regular basis.

### 4.3 Responsible Investment and Corporate Governance

The Trustee believes that environmental, social and corporate governance ("ESG") factors may have a material impact on investment risk and return outcomes. The Trustee also recognises that long-term sustainability issues, including climate change, present risks and opportunities that increasingly require explicit considerations, as reflected in the Sections 2.4 and A.3.

The Trustee recognises that financially material ESG issues, including climate change, could impact the financial interests of the Scheme's beneficiaries.

Accordingly, the Trustee will consider how ESG matters are integrated within investment processes when appointing new fund managers and monitoring existing fund managers. One such way ESG matters have been integrated within the DC Section is through the implementation of funds with a specific focus on ESG integration within the default arrangement.

The Trustee believes that good stewardship can preserve value for companies and markets as a whole, however, it is not a central activity to value generation. The Trustee monitors stewardship activity and the ESG ratings of funds annually.

Having considered their fiduciary duty, the Trustee has delegated the evaluation of ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments to the appointed investment managers, in accordance with their own corporate governance policies.

The Trustee monitors how ESG, climate change and stewardship are integrated within investment processes of their investment managers. The Trustee and considers the investment consultant's assessment of how each of the sections' investment managers embed ESG into their investment processes, and how the managers' responsible investment philosophies align with the Trustee's responsible investment policy. This includes the investment managers' policies on voting and engagement. The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments. Monitoring is undertaken on a regular basis and is documented at least annually to assess the effectiveness of applied approaches.

The Trustee can regularly review the decisions made by their managers, including voting history (in respect of equities) and engagement activity, and can challenge such decisions to try to ensure the best performance over the medium to long term. Voting and Engagement is reviewed at least annually.

Member views on 'non-financial matters' (where "non-financial" include members ethical views separate from financial considerations such as financially material ESG issues), are taken into account, when expressed, in the selection, retention and realisation of investments.

The Trustee has not set any investment restrictions on the appointed investment managers but may consider this in the future. However, the Trustee has agreed to implement funds with a specific focus on ESG integration to the default arrangement which involves some screening of companies.

The Trustee supports the principle of good corporate governance and shareholder activism and, for relevant mandates, prefers its investment managers to have an explicit strategy, outlining the circumstances in which they will engage with a company (or issuer of debt or stakeholder, if applicable) on relevant matters (including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance) and how they will measure the effectiveness of this strategy. The Trustee reviews regularly the voting strategy of its investment managers.

## **5.0 Investment Manager Appointment, Engagement and Monitoring**

- 5.1 The investment managers are appointed by the Trustee based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class for which they are selected.
- 5.2 The Trustee looks to its investment consultant for their forward-looking assessment of a manager's ability to perform in line with expectations over a full market cycle. This view will be based on the investment consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management. The investment consultant's manager research ratings assist with due diligence and questioning managers during presentations to the Trustee and DC Committee and are used in decisions around selection, retention and realisation of manager appointments.
- 5.3 The investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then they will look to replace the manager.
- 5.4 If a manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives and may ask the manager to review their fees instead of terminating the mandate.
- 5.5 Some mandates are actively managed, and the managers are incentivised through remuneration and have pre agreed performance targets (an appointment will be reviewed following periods of sustained underperformance). The Trustee will review the appropriateness of using actively managed funds (on an asset class basis) regularly.

- 5.6 As the Trustee invests solely 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 can be selected to align with the overall investment strategy.
- 5.7 For DC section assets, the Trustee reviews the investment manager fees and considers portfolio turnover costs as part of the annual Value for Money (“VfM”) assessment.
- 5.8 The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis.
- 5.9 For open-ended funds in which the Scheme invests, there is no set duration for the manager appointments. The Trustee will retain an investment manager unless:
- there is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager; or
  - the manager appointment has been reviewed and the Trustee is no longer comfortable that the manager can deliver the mandate.

## **6.0 Exercise of voting rights**

The Trustee has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the investment managers have produced written guidelines of their process and practice in this regard. The investment managers are encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies and are required to provide periodic written reports to the Trustee regarding their exercise of voting rights on the Trustee’s behalf. The Trustee’s views on stewardship are further elaborated in the above section “Responsible Investment and Corporate Governance” of this document.

### **6.1 Compliance with this Statement**

The Trustee will monitor compliance with this Statement annually. In particular, it will advise the investment managers promptly and in writing of any material change to this Statement.

### **6.2 Review of this Statement**

The Trustee will review this Statement in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustee and the sponsoring Company which it judges to have a bearing on the stated Investment Policy.

This review will occur no less frequently than every three years to coincide with the Actuarial Valuation. Any such review will again be based on written, expert investment advice and will be in consultation with the Company.

## **Statement of Investment Principles - Default Options for the DC Section**

- A.1** For members who do not wish to take an active role in investment decisions, the Trustee offers a **default option** which includes lifestyling arrangements to de-risk investments to an asset allocation designed to be appropriate for a typical member who intends to access their benefits via income drawdown at retirement. This strategy is known as the “Drawdown Lifestyle Profile”. In addition, the Scheme has a legacy default option where some members’ accrued funds and contributions were previously automatically directed. This strategy was designed to be appropriate for a typical member who intends to access their benefits via annuity purchase at retirement and is known as the “Annuity Lifestyle Profile”.

### **A.2 Aims, Objectives and Policies for the current Default Option**

The aims of the default options, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To generate returns in excess of inflation during the “growth” phase of the strategy whilst managing downside risk.

*The default strategy’s growth phase structure invests in equities and other growthseeking assets through diversified growth funds. These investments are structured to maximise real returns over the long-term with some downside protection and some protection against inflation erosion.*

- To provide a strategy that reduces investment risk for members as they approach retirement.

*As a member’s pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a default strategy that seeks to reduce investment risk as the member approaches retirement is appropriate. This is achieved via automated lifestyle switches over an eight-year period.*

- To offer to members a mix of assets at retirement that is broadly appropriate for an individual planning to take their benefits via income drawdown.

*For the Drawdown Lifestyle Profile, three months prior to the member’s selected retirement date, 75% of the member’s assets will be invested in a pooled pre-drawdown fund that aims to provide a suitable level of return for members who expect to transfer to a drawdown product at retirement, and 25% in a pooled cash fund reflecting the Trustee’s view that members will take a tax-free cash lump sum at retirement.*

### **A.3 Aims, Objectives and Policies for the legacy Default Option**

The aims of the legacy default option, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To generate returns in excess of inflation during the “growth” phase of the strategy whilst managing downside risk.

*The default strategy’s growth phase structure invests in equities and other growthseeking assets through diversified growth funds. These investments are structured to maximise real returns over the long-term with some downside protection and some protection against inflation erosion.*

- ☒ To provide a strategy that reduces investment risk for members as they approach retirement.

*As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a default strategy that seeks to reduce investment risk as the member approaches retirement is appropriate. This is achieved via automated lifestyle switches over an eight-year period.*
- ☒ To offer to members a mix of assets at retirement that is broadly appropriate for an individual planning to take their benefits as an annuity.

*For the Annuity Lifestyle Profile, three months prior to the member's retirement date, 75% of the member's assets will be invested in a pooled pre-retirement fund that aims to match the development of fixed annuity prices as far as is possible, and 25% in a pooled cash fund. This lifestyle profile reflects the Trustee's view that members will take a tax- free cash lump sum at retirement.*

#### A.4 Risk

In designing the default option, 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 retirement outcomes for members. In particular, when reviewing the investment strategy of the default investment option, the Trustee considers risk quantitatively in terms of the variability of investment returns and potential retirement outcomes for members. From a qualitative perspective, the Trustee also considers risk in terms of the (mis)alignment of investments with the retirement benefits targeted by the default investment option.

Taking into account the demographics of the Scheme's membership and the Trustee's views of how the membership will behave at retirement, the Trustee believes that the balance between asset classes within the default option outlined in this Appendix is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Scheme's demographics, if sooner.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable based on member demand.

The Trustee has considered risks from a number of perspectives. The list is the same as shown in Section 9, unless mentioned below:

Risk	How it is managed	How it is measured
<b>Inflation Risk</b>	<p>During the growth phase of the default investment option the Trustee invests in a diversified range of assets which are likely to grow in real terms.</p> <p>The default investment options invests in a diversified range of assets which are considered likely to grow in excess of inflation</p>	<p>Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.</p>

Risk	How it is managed	How it is measured
<b>Pension Conversion Risk</b>	<p>The current default investment option is a lifestyling strategy which targets drawdown as a retirement destination.</p> <p>The Trustee believes that a strategy targeting drawdown is the most appropriate for their current membership.</p> <p>k. The legacy default investment option is a lifestyling strategy which targets annuity purchase as a retirement option.</p> <p>l. The Trustee believes that a strategy targeting annuity purchase still remains an appropriate option for their current membership.</p>	<p>Considering the returns of the funds used within the switching phase of the lifestyle strategy both in absolute terms as well as relative to inflation (the retirement destination).</p> <p>As part of the triennial default strategy review, the Trustee ensures the default destination remains appropriate.</p>
<b>Currency Risk</b>	<p>The equity allocation of the default investment option is invested in global equity funds without a currency hedge. Within the diversified growth funds the currency risk management is delegated to investment managers.</p> <p>Investment strategy is set with the intention of diversifying</p> <p>this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.</p>	<p>Monitors the performance of external investment funds on a quarterly basis.</p> <p>Considers the movements in foreign currencies relative to pound sterling.</p>

The above items in Sections A.2 and A.3 and those in the main SIP are in relation to what the Trustee considers ‘financially material considerations’. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member’s age and when they expect to retire. It is partly for this reason that the default investment option is a lifestyle strategy.

## **A.5 Members Interests**

The Trustee believes that assets in the default investment option are invested in the best interests of members and beneficiaries, taking into account the profile of members.

The Drawdown and Annuity Lifestyle Profiles are designed to meet the above aims and objectives and are implemented using a range of pooled funds managed by the Trustee's chosen investment managers.

Taking into account the demographics of the Scheme's membership and the Trustee's views of how the membership will behave at retirement, the Trustee believes that the current default strategy is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Scheme's demographic profile, if sooner.

## **A.6. Investment Strategy**

The Trustee believes that assets in the default investment option are invested in the best interests of members and beneficiaries, taking into account the profile of members.

The Drawdown and Annuity Lifestyle Profiles are designed to meet the above aims and objectives and are implemented using a range of pooled funds managed by the Trustee's chosen investment managers.

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

## **A.7. Day to Day Management of the Assets**

Pooled investment funds are made available to members of the Scheme via an investment platform provided by Aegon. The platform is accessed through a direct (long-term) insurance contract between the Trustee and Aegon. Pooled funds accessed through the platform are managed by underlying investment managers. The Trustee is responsible for the selection, appointment, removal and monitoring of these external investment managers. The Trustee has taken steps to satisfy itself that the managers have the appropriate knowledge and experience for managing the Scheme's investments and that the managers are carrying out their work competently.

The safe custody of the Scheme's assets is delegated to professional custodians, as appointed by the governing bodies of the respective pooled funds.

### ***Buying and Selling Investments***

The investment manager has responsibility for buying and selling the underlying assets. All of the pooled funds used are daily dealt. The investment managers have discretion in the timing of realisation of investments and in considerations relating to liquidity of those investments within parameters stipulated in the relevant appointment documentation. The day to day activities which the investment manager carries out for the Trustee are governed by the arrangements between them and Aegon, which are reviewed from time to time to ensure that the operating instructions, guidelines and restrictions remain appropriate.

## ***Responsible Investment & Corporate Governance***

The Trustee believes that good stewardship and environmental, social and governance (“ESG”) issues may have a material impact on investment returns. The Trustee has given the investment managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Scheme’s investments. The Trustee also recognises that long-term sustainability issues, including climate change, present risks and opportunities that increasingly require explicit considerations as outlined in Section 9.1.

Similarly, the Scheme’s voting rights are exercised by its investment managers in accordance with their own corporate governance policies and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

Voting is also an integral part of the investment management delegation. The investment manager is encouraged, but not directed, to vote on all resolutions at annual and extraordinary general meetings of companies for the exclusive benefit of the participants.

The Trustee monitors the ESG policies and stewardship activities of its managers annually. The Trustee supports the principle of good corporate governance and shareholder activism and, for relevant mandates, prefers its investment managers to have an explicit strategy, outlining the circumstances in which they will engage with a company (or issuer of debt or stakeholder, if applicable) on relevant matters (including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance) and how they will measure the effectiveness of this strategy .