Henkel Retirement Benefits Scheme

The Annual Chair's Statement: 1 January 2024 to 31 December 2024

Introduction

The Trustees of the Henkel Retirement Benefits Scheme (the '**Scheme'**) present this Chair's Statement (the '**Statement'**) on governance which conforms with the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the '**Administration Regulations**'), as amended. This Statement is based on advice and information provided by our advisers, Mercer Limited ('**Mercer'**).

This Statement relates to defined contribution ('**DC'**) benefits (also known as money purchase benefits) within the Scheme only. DC benefits are provided for members of the 2003 Section (also known as the Money Purchase Section) and the Loctite Section, and in respect of additional voluntary contributions ('**AVCs**') and "pension bonus" contributions made by or on behalf of eligible members of other sections of the Scheme.

This Statement relates to the period from 1 January 2024 to 31 December 2024 (the '**Scheme Year**') and covers six principal areas:

1. Investment: The Scheme's default investment arrangements;
2. Internal Controls: Core financial transactions;
3. Costs and charges;
4. Net return on investments;
5. Value for members' assessment; and,
6. Trustee knowledge and understanding.

This statement is published, as required by the Administration Regulations, on a publicly available website (https://www.henkel.co.uk/company/governance-and-compliance/corporate-statutory-compliance).

Investment

Default Arrangements

The Scheme is used by its sponsoring employer as a Qualifying Scheme for auto-enrolment purposes. Members who join the Scheme and do not choose an investment option are placed into the default investment option for the Scheme. The Trustees are responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the Scheme's default Money Purchase Section investment option.

The aims and objectives of the investment arrangements for members, as stated in the statement of investment principles, are as follows:

- Maximising the value of retirement benefits, to attain a reasonable standard of living in retirement.
- Protecting the value of benefits in the years approaching retirement against sudden volatility in capital value and fluctuations in the cost of providing benefits.
- Tailoring a member's investments to meet his or her own needs.

A number of the requirements of the Administration Regulations, which are referred to in this Statement relate only to a 'default arrangement' (as defined in the Administration Regulations). The default arrangements for the Scheme Year are set out below and at Appendix C of the Scheme's statement of investment principles, and include:

- the default investment option for new members; and,
- default arrangements for members whose funds have historically been 'mapped' into new funds or lifestyle strategies (the '**technical defaults**').

Statement of Investment Principles

The Statement of Investment Principles (the '**SIP**') also sets out the Trustees' objectives and policies in relation to the default arrangement (the '**default investment option**') and an explanation of how the investment strategy employed therein is intended to ensure that assets are invested in the best interests of Scheme members.

The SIP was formally reviewed by the Trustees in November 2023, considering the Socially Responsible Investment and Corporate Governance section and including the policy in relation to illiquid assets in respect of the Scheme's default investment options. This version was signed on 23 January 2024. There were no further changes made to the SIP over the Scheme Year.

A copy of the Scheme's SIP is set out at Schedule 6 of this Statement. The section of the SIP relating to the default arrangements is set out at Appendix D of the SIP.

Review and performance of default investment options

As at the Scheme Year end, the Scheme's default investment option was the Lifetime Targeting Income Drawdown. This strategy invests in a mix of global equity and diversified growth funds during the growth phase with the aim of growing the value of member's savings over the longer-term while managing the level of risk relative to global equities. When a member is eight years from retirement, their Scheme savings are gradually switched into a diversified mix of assets designed to be broadly suitable for targeting income drawdown, as well as an allocation to cash to match tax free cash withdrawal at retirement.

The Lifetime Targeting Income Drawdown became the Scheme's default investment option during the 2019 Scheme year. Prior to this, the default investment option was the Lifetime Targeting Annuity, in which a small number of members close to retirement remain invested. The Lifetime Targeting Annuity shares a common growth phase with the current default investment option, before de-risking into a mix of assets intended to be suitable for a member intending to use their pension savings at retirement to take a 25% tax free cash lump sum and purchase a level annuity with the remainder.

The Trustees conducted a detailed review of the default strategy and self-select fund range in November 2024. The review covered the suitability of the default retirement target, default strategy design including the funds used to deliver the strategy and the self-select fund range to ensure members have a suitable range of choice offering the ability to build well diversified portfolios. The proposed changes resulting from this review are being considered by the Trustees and any agreed changes will be communicated to members ahead of expected implementation in the 2026 Scheme Year.

In addition to the triennial investment strategy reviews, the investment sub-committee reviews the performance of the default arrangements (including the technical defaults) and self-select fund range at each six-monthly meeting. Performance is assessed against the targets of the lifestyle strategies and investment funds (including return and risk) as well as the overall aims and objectives as specified in the SIP, such as an appropriate reduction in risk as a member approaches retirement. The Trustees believe that the performance of the investment fund range has been in line with expectations, with the majority of funds delivering performance in line or in excess of their benchmarks over the three-year period to 30 September 2024. Whenever funds are not delivering in line with expectations, this will be reviewed and recommendations will be made. The Trustees, along with the investment sub-committee, will continue to formally review the performance of the investment options available to members at their six-monthly meetings.

The next triennial investment strategy review will be considered by the Trustees in Q4 2027.

Technical Defaults

The previous section detailed the default investment option chosen by the Trustees for members who do not make an active investment choice when they join the Scheme.

However, it is possible for pension schemes to have additional 'default arrangements' where members have been switched between funds when fund line-up changes are made, without member consent (i.e. they were transferred by the Trustees into a new fund that best matched or improved on their old fund without the Trustees requiring written agreement from the member).

Since April 2015, there have been a number of mapping exercises resulting in the 'technical defaults funds' shown in the table on the following page.

Previous Fund/Arrangement	Current Fund	Date Undertaken	Reason for Creation
Money Purchase Section			
L&G Global Equity (60:40) Index Fund	Aviva Pension MyM BlackRock (30:70) Currency Hedged Global Equity Index (Aquila C) Fund	December 2015	These defaults were created when funds were mapped to the Aviva Platform (previously Friend's Life) as part of the transition of the Scheme assets to the Aviva platform.
L&G AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund	50% Aviva Pension MyM BlackRock Over 15 Year Gilt Index (Aquila C) Fund and 50% Aviva Pension MyM BlackRock Over 15 Year Corporate Bond Index (Aquila C) Fund	December 2015	
L&G Cash Fund	Aviva Pension MyM BlackRock Institutional Sterling Liquidity Fund	December 2015	
Aviva Pension MyM BlackRock DC Diversified Growth Fund	Aviva Pension MyM Diversified Growth Strategy	October 2017	Result of movement of main scheme member assets from the BlackRock DGF to the blended DGF arrangement.
Loctite Section			
L&G Consensus Index Fund	80% Aviva Pension MyM BlackRock (30:70) Currency Hedged Global Equity Index (Aquila C) Fund 20% Aviva Pension MyM BlackRock Over 15 Year Gilt Index (Aquila C) Fund	December 2015	These defaults were created when funds were mapped to the Aviva Platform (previously Friend's Life) as part of the transition of the Scheme to the Aviva platform.
L&G Over 15 Year Gilts Index Fund	Aviva Pension MyM BlackRock Over 15 Year Corporate Bond Index (Aquila C) Fund	December 2015	
L&G Cash Fund	Aviva Pension MyM BlackRock Institutional Sterling Liquidity Fund	December 2015	

Previous Fund/Arrangement	Current Fund	Date Undertaken	Reason for Creation
Pension Bonus contributions			
BlackRock DC Balanced Growth Fund	80% Aviva Pension MyM BlackRock (30:70) Currency Hedged Global Equity Index (Aquila C) Fund 20% Aviva Pension MyM BlackRock Over 15 Year Gilt Index (Aquila C) Fund	December 2015	These defaults were created when funds were mapped to the Aviva Platform (previously Friend's Life) as part of the transition of the Scheme to the Aviva platform.
BlackRock DC Pre-Retirement Fund	Aviva Pension MyM LGIM Pre-Retirement Fund	December 2015	
BlackRock Cash Fund	Aviva Pension MyM BlackRock Institutional Sterling Liquidity Fund	December 2015	
Certain AVC contributions			
Equitable Life With Profits Fund	Utmost Life Secure Cash Fund then the Utmost Life Money Market Fund	January 2020	Following the sale of Equitable Life to Utmost Life, Equitable Life with Profits Policies were moved to the Utmost Secure Cash Fund from 1 January to 30 June 2020. The Utmost Secure Cash Fund had a guarantee until 30 June to not reduce in value. Following expiry of the guarantee the Trustee decided to move assets into the Utmost Life Money Market Fund, with the switch taking place over the remaining six months of 2020.
Utmost Life Money Market Fund	Lifestyle Targeting Cash or BlackRock Sterling Liquidity Fund	April 2022	The Trustees agreed to close the Utmost Life policy and map members into the Scheme's main DC investment arrangements with Aviva. Members without an existing

Previous Fund/Arrangement	Current Fund	Date Undertaken	Reason for Creation
			account in the Scheme's AVC and Bonus (deferred) section were moved into the Lifestyle Targeting Cash or to the BlackRock Sterling Liquidity Fund, depending on their expected retirement age. Members with an existing account in the Scheme's AVC and Bonus (deferred) section were mapped into their existing investment choices (based on the constraints of the Aviva investment platform).

Prior to mapping members' investments across to the replacement funds, the Trustees took appropriate investment advice and considered these funds to be suitable for members taking into account the demographics of the members invested in the funds.

As mentioned earlier, the Trustees review the performance of the Scheme's technical defaults on a six-monthly basis as part of its regular ongoing monitoring and triennial investment strategy reviews. Following the investment strategy review in November 2024, the proposed changes are being considered by the Trustees and any agreed changes will be communicated to members ahead of expected implementation in the 2026 Scheme Year.

<u>Other investment options</u>

The Scheme offers a third Lifetime strategy, the Lifetime Targeting Cash, which shares a common growth phase with the default investment options described above, before gradually de-risking towards an allocation designed to target taking benefits as a cash lump sum at retirement. Further details of the three Lifetime Strategies are set out in the SIP.

All members retain the right to apply their own asset allocation within the Scheme's fund options if they decide that the default investment option is not suitable for their personal requirements. Members should therefore review the default investment option and self-select options available to them to determine which options are the most suitable for them. The Trustees are unable to provide advice to members in this respect. Full details on all the investment options available to Scheme members can be found in the SIP, which sets out the Trustees' policies around the Scheme's investments and is attached to this Statement.

Members can review the wide range of information on the Aviva My Money platform, Scheme literature and seek their own personal advice as they consider appropriate.

Internal Controls: Core Financial Transactions

The Trustees have a specific duty to ensure that core financial transactions relating to DC benefits are processed promptly and accurately. This includes the investment of contributions, transfer of member assets into and out of the Scheme, switches between different investments within the Scheme and payments to and in respect of members.

These transactions are undertaken on the Trustees' behalf by the Scheme's platform provider, Aviva, with whom the Trustees hold a long-term contract to administer the Scheme's assets. The Trustees appointed Aviva (formerly Friends Life) in December 2015 because they:

- Are one of the UK market leaders in Bundled DC pension provision;
- Offer access to a suitable range of funds that meet the Trustees stringent requirements;
- Give members on-line access to fund information, guidance and help; and,
- Provide support with member education and communication.

The administrators' contractual agreements are comprehensive documents and include key target service levels for all core financial transactional areas, covering accuracy and timeliness. These core financial transactions include reconciliation and investing of contributions, reconciliation of units, investment switches, transfers and retirement benefits.

Aviva provides regular reporting on the processing of core financial transactions in their quarterly governance reports. They measure performance against Service Level Agreements ('**SLAs'**) for member requests with a focus on delivering value to members, which sets them apart from many industry peers who typically benchmark SLAs based on the number of working days to complete specific activities. Recently, traditional SLAs have been reintroduced into their processes to ensure a dual focus on both SLA and end-to-end measures. Aviva aims to consistently meet SLA goals while also improving the overall end-to-end performance. Their customer management tool has been implemented to support this initiative. While maintaining an emphasis on end-to-end processes, Aviva recognizes the importance of providing SLA data for continuity and enabling clients to benchmark performance. Further details on processing and member SLAs can be found in Schedule 1 of this Statement.

Aviva records all member transactions and benefit processing activities in a work management system which assigns the relevant timescale to the task. Aviva's governance reports disclose their performance against these agreed timescales and are provided each quarter. The Trustees:

- Consider these reports when received and they are reviewed against the targets set;
- Understand that 100% completion against SLA will not always be possible, however it does request further information from Aviva in the case of consistent service delivery underperformance.

The Trustees also monitor the accuracy of the Scheme's common data annually. If the data does not meet the standards set by the Pensions Regulator or there is a decline in common data scores, the reasons for these are discussed together with the remedial measures available to the Trustees.

As a wider review of the Scheme administrator in general, the Trustees receive the Scheme administrator's assurance report on internal controls annually. For the year period of 1 January 2024 to 31 December 2024, the report noted that in all material aspects, its controls were suitably designed and those tested operated effectively.

The auditor to the Scheme, Assure UK, performs testing of contributions as part of the audit of the Scheme's annual report and accounts, and the Trustees arrange for spot checks of member contributions and benefit payments to be made.

The table in Schedule 1 also sets out the SLAs for the Scheme's core financial transactions and the controls that existed during the Scheme Year to ensure accuracy and promptness. The Trustees believe that core financial transactions were processed promptly and accurately for most of the Scheme Year and there was no material administration errors in relation to core financial transactions. They do report on end-to-end time frames for completing requests and on this basis an overall service level of 98.9% was achieved by Aviva. If considering only the core financial work items, a service level of 100% was achieved.

The Trustees also maintain the Scheme's Risk Register, which sets out the key risks for the Scheme and its membership. A delegated group of the Trustees carry out a thorough review of the risk register every two years outside of the Trustees meetings. In addition, the Trustees have reviewed the sections of the Scheme that provides DC benefits against the DC Code of Practice. The last review took place during the 10 October 2024 meeting with the findings and any areas for improvement reported back at the following Trustees meeting and the next review should take place in mid-March 2025.

Charges and transactions costs

The Trustees monitor and measure the charges for the DC benefits each year to ensure they represent good value for members. This is carried out formally via the annual value for members assessment which is prepared by Mercer for the Trustees.

The Total Expense Ratios ('**TERs**') are the costs associated with managing and operating the funds. The total TER payable by a member will depend on their investment weighting across all funds. Under the lifetime strategies, the progress that a member has made towards de-risking will be a significant factor in determining their total TER.

The TERs for the default arrangements are below the charge cap legislation requirement of 0.75% p.a. that applies to default arrangements.

As part of the value for member's assessment, all the funds available to members have been assessed as providing good value for members from an overall perspective. We are comfortable that the fees for the funds accessed are generally competitive relative to the peer group noting that the Passive Global Equity Strategy fund had a 0.01% Annual Management Charge ('**AMC**') reduction that will be effective from 29 January 2025. For more details, please refer to section "Value for Members assessment".

The tables below provide information on the TERs applicable to funds used in the three lifetime strategies (targeting annuity, cash and income drawdown), the technical defaults and the self-select fund range.

The TERs have been provided by Aviva and include the AMC and other expenses associated with the running and management of the funds (which will vary slightly from time to time). The TERs are stated as at 31 December 2024.

Lifetime Strategies (Targeting Annuity, Cash or Income Drawdown)

Fund	TER (% p.a.)
Aviva Pension MyM Passive Global Equity Strategy	0.33
Aviva Pension MyM Diversified Growth Strategy	0.72
Aviva Pension MyM LGIM Future World Annuity Aware	0.29
Aviva Pension MyM LGIM Retirement Income Multi Asset Fund	0.52
Aviva Pension MyM BlackRock Institutional Sterling Liquidity	0.22

Source: Aviva as at 31 December 2024. These funds are also available as self-select options for members with the exception of the Aviva Pension MyM LGIM Retirement Income Multi Asset Fund.

Technical defaults – Main DC Section Only

Fund	TER (% p.a.)
Aviva Pension MyM BlackRock Aquila Connect (30:70) Currency Hedged Global Equity Index (Aquila C)	0.30
Aviva Pension MyM Diversified Growth Strategy	0.72
Aviva Pension MyM LGIM Future World Annuity Aware	0.29
Aviva Pension MyM BlackRock Institutional Sterling Liquidity	0.22
Aviva Pension MyM BlackRock Over 15 Year Corporate Bond Index (Aquila C)	0.24
Aviva Pension MyM BlackRock Over 15 Year Gilt Index (Aquila C)	0.23

Source: Aviva as at 31 December 2024.

Self-select fund range

Fund	TER (% p.a.)

Aviva Pension MyM BlackRock UK Equity Index	0.30
Aviva Pension MyM BlackRock World (ex UK) Equity Index	0.24
Aviva Pension MyM BlackRock Aquila Connect (30:70) Currency Hedged Global Equity Index	0.30
Aviva Pension MyM BlackRock Over 15 Year Corporate Bond Index (Aquila C)	0.24
Aviva Pension MyM BlackRock Over 15 Year Gilt Index (Aquila C)	0.23
Aviva Pension MyM BlackRock Over 5 Year Index-Linked Gilt Index	0.23
Aviva Pension MyM LGIM Global Ethical Equity Index Fund	0.37
Aviva Pension MyM HSBC Islamic Global Equity Index	0.52

Source: Aviva as at 31 December 2024.

The charges in the tables above do not include transaction costs. Transaction costs are costs incurred by fund managers as a result of buying, selling, lending or borrowing investments. These costs are taken into account by the fund managers when calculating the unit price for each of the funds. These costs are shown in Schedule 2 with a statutory illustration of the impact of all costs and charges in Schedule 3.

Net investment returns

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ('the 2021 Regulations') introduce new requirements for trustees of 'relevant' occupational pension schemes.

From 1 October 2021, trustees of all relevant pension schemes are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges. This information must be recorded in the annual chair's statement and published on a publicly accessible website.

Schedule 4 provides the net investment disclosures as at 31 December 2024, showing the investment performance of the Scheme's default lifestyle, alternative lifestyles and self-select fund options, after adjustment for all charges and transaction costs discussed in Schedule 2. The Trustees have taken account of the statutory guidance when preparing these disclosures.

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. Trustees or managers of relevant occupational pension schemes, are required to disclose their full asset allocation of investments from their default arrangements.

There are currently no performance-based fees being charged for the Scheme as at 31 December 2024.

The Lifetime Targeting Income Drawdown

	Percentage allocation – average 25 years (%)	Percentage allocation – average 45 years (%)	Percentage allocation – average 55 years (%)	Percentage allocation – average 65 years (%)
Cash	3.87%	3.87%	3.87%	37.84%
Corporate Bonds	0.70%	0.70%	0.70%	30.03%
Government Bonds	0.25%	0.25%	0.25%	6.54%
Other Bonds	7.15%	7.15%	7.15%	0.00%
Listed Equities	60.48%	60.48%	60.48%	23.37%
Private Equity	0.00%	0.00%	0.00%	0.38%
Property/Real Estate	0.65%	0.65%	0.65%	1.84%
Infrastructure	0.00%	0.00%	0.00%	0.00%
Private Debt/Credit	0.00%	0.00%	0.00%	0.00%
Other	26.90%	26.90%	26.90%	0.00%

Information on the technical defaults is included in Schedule 5.

Notes:

Normal Retirement Age for the Scheme is age 65, but members are free to specify a different retirement date to which their lifestyle strategy will run.

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 and repurchase agreements.*
- ***Bonds****: Loans made to the bond issuer, usually a government or a company, to be repaid at a later date. This includes Corporate and Government Bonds, Securitized.*
- ***Listed Equity:*** *Shares in companies that are listed on global stock exchanges.*
- ***Private Equity:*** *Unlisted equities that are not publicly traded on stock exchanges.*
- ***Infrastructure:*** *Physical structures, facilities, systems, or networks that provide or support public services.*
- ***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. This includes Alternatives, Commodities, Absolute Return Funds and Volatilities.*

Value for Members assessment

The Trustees have undertaken a review of the charges and transaction costs (where available) incurred by members in order to ascertain whether or not they represent good value for members. This review was conducted by the Trustees based on advice from Mercer and is repeated annually. The assessment was undertaken taking account of the Pensions Regulator's Code of Practice No.13 (Governance and administration of occupational trust-based schemes providing money purchase benefits).

The value for members assessment covering the Scheme year to 31 December 2024 concluded that although 9 out of the Scheme's 12 funds were above the median manager fee for comparable universes (noting the distribution of fees has narrowed since last year), the majority of the Scheme's funds have performed in line with their benchmarks over the three-year period. All funds also remained highly rated by Mercer.

The Trustees note that value does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment, including the additional value that members receive through access to online tools, communications and oversight of the trustee board.

Trustee knowledge and understanding

The Trustees maintain an appropriate level of knowledge and understanding which, together with professional advice available to them, enables them to properly exercise their functions and duties in relation to the Scheme and in accordance with the legal requirements.

The Trustees are conversant with, and have a working knowledge of, the current Statement of Investment Principles. The Trustees also have access to and a working knowledge of all relevant Scheme documents, including the Trust Deed and Rules. The Trustees also have an appropriate level of knowledge and understanding of matters such as the law relating to pensions and trusts, and the principles relating to investment of pension scheme assets.

The knowledge of Scheme documents and understanding of matters in relation to pensions and trusts has been achieved on an ongoing basis with preparation for and discussion at Trustees meetings, input and training from the Scheme's lawyers and Scheme Actuary when needed. Furthermore, the sponsoring principal employer of the Scheme, Henkel Limited (the '**Company**'), supports Trustee training and there is an agreed policy and budget in place which Trustees are able to utilise to arrange the training they feel they require, supported by ad-hoc training provided to the Board as a whole during meetings.

The table below details the basis of appointment for each Trustee.

Name	Basis of Appointment
Capital Cranfield Pension Trustees Limited represented by Geoff Ashton	Independent Chair of Trustees – Appointed by the Company
Paul Spackman	Company Appointed Trustee
Heidi Findlow	Member Nominated Trustee
Mark Crane	Member Nominated Trustee
Karen Lewis	Member Nominated Trustee

The presence of an independent Trustee aids the Scheme further in meeting its governance requirements. Capital Cranfield work for a broad range of clients and are familiar with the law relating to pensions and trusts. Capital Cranfield undertake regular training on investment matters and are regular commentators on the wider pensions market. The independent Trustee has sufficient knowledge of investment matters to be able to challenge their advisor. This can be demonstrated through the qualifications held by the independent Trustee's representative and their continued involvement with many pension schemes. The independent Trustee's representative is also subject to CPD requirements. The independent Trustee representing Capital Cranfield has undertaken regular training throughout the year and holds a number of qualifications including:

- Holding an Accreditation as a Professional Pension Trustee with the Association of Professional Pensions Trustees (APPT).
- A Fellow of the Pensions Management Institute (PMI).
- PMI Level 3 Certificates in Pension Trusteeship Units 1 & 2 earned by examination.
- Engaged in reading industry-produced items.
- Participated in various webinars covering topics such as:
    - Pensions topical issues;
    - Quarterly legal updates from Sackers and Baker & McKenzie;
    - LCP webinars on market dynamics, DC decumulation, and the Chancellor's Mansion House speech;
    - Insights on risk transfer and challenges in DC pensions;
    - Cyber attack simulation and other relevant legal updates;
- Attended IWMPs training session.
- Participated in Capital Cranfield briefings and other training events.
- Engaged in discussions on various topics, including the impact of rising interest rates on fixed income markets, legal implications of recent court cases and regulatory changes, and strategies for managing pension scheme challenges and funding issues.

- Developed skills in presentation and meeting management, kept updated with industry news and regulatory changes, and gained insights into market developments and their implications for trustees.

For new Trustees joining the Board there is a Trustee Induction Plan in place that requires new Trustees to complete the Pensions Regulators' toolkit and a Scheme specific introductory training session within six months of appointment. Adherence to this is monitored at the bi-annual Trustees' meetings. All Trustees have completed the Pension Regulator's Trustee Toolkit with their knowledge of the toolkit enhanced further throughout the Scheme Year through training. Further information can be found in the section below. The Trustees maintain a Trustee training log to keep a record of training undertaken.

Training is a continuous item of discussion and during 2024 was facilitated by attending webinars or topical training within Trustees' meetings. In addition, the Chair of Trustees regularly recommends webinars the Trustees should attend which he has attended and thinks have particular relevance to the Scheme.

Examples of training undertaken over the Scheme Year include:

- At the 16 May 2024 ISC Meeting, discussion around changes to the requirements on the way SMPIs must be calculated.
- At the 16 May 2024 ISC Meeting, discussion guiding principles for default design.
- At the training day on 17 July 2024, Mercer retirement planning tool had been demonstrated covering its use and benefits for members.

Based on undertaking sufficient training and actions undertaken over the year, the Trustees have confirmed that they have sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes as well as the laws that govern pensions and trust arrangements. The level of Trustee knowledge and understanding continues to be reviewed on an ongoing basis with DC items included at every Trustees meeting.

I confirm that the above statement has been produced by the Trustees and is accurate to the best of our knowledge.

This statement was signed by Capital Cranfield Pension Trustees Limited represented by Geoff Ashton as the Independent Chair of Trustees on 17 July 2025

SCHEDULE 1 – Core Financial Transactions: Service Level Agreements (SLAs)

Core Financial Transaction	Key Internal Control Promptness
Contribution processing	Subject to the completion of the longest delayed dealing cycle, Aviva shall process regular contributions and allocate to member policies within two business days of receipt of the validated contribution schedule and reconciled payment.
Member Investment Transactions	Aviva shall action investment transaction (switches, redirections and single contributions where appropriate) requests from Members or Trustees within three business days from the date of receipt of complete instructions.
Processing Payments out	Subject to the completion of the longest delayed dealing cycle, Aviva shall process payments out within five business days of receipt of the completed payment authority form and all required documentation from the authorised party. In respect of payments to Members on retirement, the period of five business days referred to in this SLA shall commence from the normal retirement age of the retiring Member.
Transfer in processing	Subject to the completion of the longest delayed dealing cycle, Aviva shall issue confirmation to Members or Trustees Clients that transferred assets have been allocated as at the date of receipt of both payment and complete documentation within five business days of receipt.

Over the year the Trustees monitored the performance of the Scheme against target SLAs. Across the year the performance against service levels was positive with an overall performance of 98.9% of SLAs met with some minor dips in processing retirement quotes. If considering only the core financial work items a service level of 100% was achieved.

The key core processes accessed this year against SLA were:

- Contributions
- Transfer Out Process
- Retirement Payments
- Transfer In
- Death Payments
- Additional Payments in
- Withdrawals

The Trustees understand that 100% completion against target SLAs will not always be possible and requests and discusses further information from Aviva when necessary, on quarterly calls. The Trustees will continue to monitor performance moving forward and look to ensure improvements are made if necessary.

SCHEDULE 2 – Transaction costs

Explanatory Notes:	The tables on the following pages show the administration and transaction costs for each fund in the scheme and is provided to assist with value for money / value for member assessments. The FCA has prescribed the ' slippage cost' methodology for calculating transaction costs. The slippage cost methodology calculates the transaction cost of buying or selling an investment as the difference between the price at which an asset is valued immediately before an order is placed into the market and the price at which it is actually traded. Where fund managers have not used this methodology it is shown below. For some funds, the Lending & Borrowing costs do not equal Buying & Selling costs due to the anti-dilution effect (i.e. the fund passing on underlying trading costs to redeeming / subscribing investors, rather than being borne by the fund as a whole).

The data in the table below shows the following:	
Total Transaction Cost	The total annual fund transaction costs. This is the total of the 'Buying and Selling' costs and 'Lending and Borrowing' costs as described below.
Buying and Selling Transaction Cost	Where it is an internal fund, which is a fund managed to an investment mandate set by Aviva UK Insurance, these are the costs incurred in buying and selling units in the Aviva insured fund and the costs incurred by this fund in buying and selling its holdings. Where the Aviva insured fund invests in an external fund these are the annual costs incurred in buying and selling units in the underlying external fund and the annual costs incurred by the underlying fund in buying and selling its holdings.
Lending and Borrowing Transaction Cost	The annual costs incurred by either the Aviva insured fund and / or the underlying fund in lending and borrowing its holdings.
Transaction Cost Data Missing	The percentage of the fund value for which underlying fund cost data is missing. As a result of this we cannot provide the total transaction costs for this fund. This includes when: a) the fund manager has provided no transaction costs b) the fund manager has not provided costs for a certain percentage of their fund
Slippage Cost methodology not used	The percentage of the fund for which transaction costs have been calculated using a method other than the slippage cost methodology.

Scheme Section: Henkel Retirement Benefits Scheme – Money Purchase Section (N11198), Money Purchase Section (N11210), Loctite Section (N11228), AVC and Pension Bonus contributions (N11225), AVC and Pension Bonus contributions (N11227)

Fund Name	Total Transaction Cost %	Buying and Selling Transaction Cost %	Lending and Borrowing Transaction Cost %	Transaction Cost Data Missing	Exposure to Non Slippage Cost methodology (%)	Comments / Additional Information
Av MyM Passive Global Equity Strategy	0.0124%	0.0080%	0.0044%	10%	0%	
Av MyM BlackRock Aquila Connect World ex UK Equity Index	-0.0534%	-0.0632%	0.0039%	0%	0%	
Av MyM BlackRock Aquila Connect UK Equity Index	0.1032%	0.0946%	0.0086%	0%	0%	
Av MyM BlackRock Aquila Connect Over 15 Year Gilt Index	-0.0433%	-0.0792%	0.0304%	0%	0%	
Av MyM Legal & General (PMC) Future World Annuity Aware	0.0000%	-0.0663%	0.0005%	0%	0%	The costs provided represent those incurred by the underlying fund in buying and selling its holdings and do not include those incurred by the Aviva fund in buying and selling units in the underlying fund(s).
Av MyM BlackRock Aquila Connect Over 5 Year Index-Linked Gilt Index	-0.0845%	-0.1138%	0.0173%	0%	0%	
Av MyM Diversified Growth Strategy	0.2410%	0.2378%	0.0032%	0%	0%	The costs provided represent those incurred by the underlying fund in buying and selling its holdings and do not include those incurred by the Aviva fund in buying and selling units in the underlying fund(s).
Av MyM Legal & General (PMC) Ethical Global Equity Index	0.0032%	0.0019%	0.0013%	0%	0%	The costs provided represent those incurred by the underlying fund in buying and selling its holdings and do not

						include those incurred by the Aviva fund in buying and selling units in the underlying fund(s).
Av MyM HSBC Islamic Global Equity Index	0.0102%	0.0102%	0.0000%	0%	0%	
Av MyM BlackRock Aquila Connect (30:70) Currency Hedged Global Equity Index	0.0000%	-0.1575%	0.0054%	0%	0%	
Av MyM BlackRock Aquila Connect Over 15 Year Corporate Bond Index	0.0000%	-0.1979%	0.0119%	0%	0%	
Av MyM BlackRock Institutional Sterling Liquidity	0.0117%	0.0117%	0.0000%	0%	0%	
Av MyM Legal & General (PMC) Retirement Income Multi Asset	0.0857%	0.0804%	0.0053%	0%	0%	The costs provided represent those incurred by the underlying fund in buying and selling its holdings and do not include those incurred by the Aviva fund in buying and selling units in the underlying fund(s).

Source: Aviva as at 31 December 2024. These costs represent the annual costs for the Scheme year. Due to differences in exposure to non-cost slippage cost methodology only one year costs are shown. The Trustees will endeavour to provide an average of transaction costs where possible in future statements.

SCHEDULE 3 – Costs and charges illustrations

Using the charges and transaction cost data provided by Aviva and in accordance with regulation 23(1)(ca) of the Administration Regulations, the Trustees have prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Scheme on their retirement savings pot. The statutory guidance has been considered when providing these examples.

In order to represent the range of funds available to members we are required to show the effect on a member's savings of investment in the following (with the Scheme's relevant funds/strategies listed in brackets):

- The default strategy with the most members invested (The Lifetime Targeting Income Drawdown)
- The most expensive fund (Aviva Pension MyM Diversified Growth Strategy)
- The least expensive fund (Aviva Pension MyM BlackRock Over 15 Year Gilt Index Fund)
- All technical defaults

The illustrations that follow take into account the following elements:

- Initial savings pot size;
- Contributions, where applicable;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

To illustrate the impact of charges on a youngest active member's pension pot, we have provided the below illustration, which accounts for all estimated member costs, including the TER, transaction costs and inflation.

As per prescribed guidance, an inflation assumption of +2.5% has been used in producing these illustrations. The basis for Growth gross rate assumptions were the SMPI net return assumptions provided by Aviva.

The returns are not guaranteed.

Age	The most popular fund: default investment option		Alternative Lifestyle and technical default		Alternative Lifestyle and technical default		Highest cost fund		Lowest cost fund:	
	The Lifetime Targeting Income Drawdown		The Lifetime Targeting Annuity		The Lifetime Targeting Cash		Aviva Pension MyM Diversified Growth Strategy		Aviva Pension MyM BlackRock Over 15 Year Gilt Index Fund	
	Before Fees and Charges	After Fees and Charges	Before Fees and Charges	After Fees and Charges	Before Fees and Charges	After Fees and Charges	Before Fees and Charges	After Fees and Charges	Before Fees and Charges	After Fees and Charges
20	£9,702	£9,639	£9,702	£9,639	£9,702	£9,639	£9,641	£9,548	£9,831	£9,808
25	£36,642	£35,716	£36,642	£35,716	£36,642	£35,716	£35,565	£34,251	£39,047	£38,690
30	£67,312	£64,453	£67,312	£64,453	£67,312	£64,453	£63,835	£59,920	£75,457	£74,269
35	£102,228	£96,120	£102,228	£96,120	£102,228	£96,120	£94,663	£86,590	£120,830	£118,101
40	£141,977	£131,016	£141,977	£131,016	£141,977	£131,016	£128,281	£114,303	£177,373	£172,097
45	£187,229	£169,469	£187,229	£169,469	£187,229	£169,469	£164,940	£143,097	£247,835	£238,616
50	£238,746	£211,844	£238,746	£211,844	£238,746	£211,844	£204,916	£173,017	£335,644	£320,562
55	£297,394	£258,539	£297,394	£258,539	£297,394	£258,539	£248,510	£204,105	£445,071	£421,513
60	£361,407	£307,791	£364,153	£310,148	£364,153	£310,148	£296,048	£236,407	£581,436	£545,876
65	£416,462	£348,585	£429,821	£363,922	£398,124	£337,626	£347,887	£269,970	£751,371	£699,081

Age	Technical Default		Technical Default		Technical Default		Technical Default		Technical Default	
	Aviva Pension MyM BlackRock (30:70) Currency Hedged Global Equity Index Fund		Aviva Pension MyM Legal & General (PMC) Future World Annuity Aware		Aviva Pension MyM BlackRock Institutional Sterling Liquidity Fund		Aviva Pension MyM BlackRock Over 15 Year Corporate Bond Index Fund		Aviva Pension MyM BlackRock Over 15 Year Gilt Index Fund	
	Before Fees and Charges	After Fees and Charges	Before Fees and Charges	After Fees and Charges	Before Fees and Charges	After Fees and Charges	Before Fees and Charges	After Fees and Charges	Before Fees and Charges	After Fees and Charges
20	£9,763	£9,732	£9,762	£9,733	£9,486	£9,464	£9,624	£9,601	£9,831	£9,808
25	£37,759	£37,295	£37,750	£37,311	£32,973	£32,678	£35,268	£34,939	£39,047	£38,690
30	£71,029	£69,543	£70,998	£69,593	£55,895	£55,070	£62,894	£61,910	£75,457	£74,269
35	£110,565	£107,273	£110,496	£107,381	£78,265	£76,668	£92,655	£90,618	£120,830	£118,101
40	£157,548	£151,416	£157,417	£151,614	£100,098	£97,501	£124,716	£121,175	£177,373	£172,097
45	£213,381	£203,062	£213,158	£203,391	£121,405	£117,596	£159,255	£153,701	£247,835	£238,616
50	£279,730	£263,487	£279,374	£264,001	£142,200	£136,978	£196,464	£188,322	£335,644	£320,562
55	£358,576	£334,183	£358,037	£334,947	£162,494	£155,674	£236,548	£225,174	£445,071	£421,513
60	£452,273	£416,895	£451,485	£417,995	£182,300	£173,708	£279,730	£264,399	£581,436	£545,876
65	£563,619	£513,667	£562,496	£515,208	£201,630	£191,102	£326,249	£306,151	£751,371	£699,081

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 Trustees have based this assumed member on data sourced from Aviva. The assumed member is age 19, with a normal retirement age of 65, using a starting pot size of £4,720 and a salary of £32,000. The member's total contributions (including those from the employer) are assumed to be 15% of 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:

Investment option	TER	Transaction costs	Growth gross rate assumptions (before inflation)
The Lifetime Targeting Income Drawdown	0.53% p.a. for members 8 or more years from retirement, falling to 0.43% p.a. for members at retirement.	0.12% p.a. for members 8 or more years from retirement; an average of 0.05% for members at retirement .	5.00% p.a. for members 8 or more years from retirement, to 3.40% p.a. for members at retirement
The Lifetime Targeting Annuity	0.53% p.a. for members 8 or more years from retirement, reducing to 0.27% p.a. for members at retirement	0.12% p.a. for members 8 or more years from retirement; an average of 0.01% for members at retirement	5.00% p.a. for members 8 or more years from retirement, falling to 5.00% p.a. for members at retirement
The Lifetime Targeting Cash	0.53% p.a. for members 8 or more years from retirement, reducing to 0.22% p.a. for members at retirement	0.12% p.a. for members 8 or more years from retirement; an average of 0.01% for members at retirement	5.00% p.a. for members 8 or more years from retirement, falling to 2.00% p.a. for member at retirement for members at retirement
Aviva Pension MyM Diversified Growth Strategy	0.72% p.a.	0.24% p.a.	4.00% p.a.
Aviva Pension MyM BlackRock (30:70) Currency Hedged Global Equity Index (Aquila C) Fund	0.30% p.a.	0.01	6.00% p.a.
Aviva Pension MyM LGIM Future World Annuity Aware	0.29% p.a.	Nil	6.00% p.a.
Aviva Pension MyM BlackRock Institutional Sterling Liquidity	0.22% p.a.	0.01% p.a.	2.00% p.a.
Pension MyM BlackRock Over 15 Year Corporate Bond Index (Aquila C)*	0.24% p.a.	Nil	4.00% p.a.
Aviva Pension MyM BlackRock Over 15 Year Gilt Index (Aquila C)*	0.23% p.a.	Nil	7.00% p.a.

Charge and costs figures provided by Aviva; growth rate assumptions provided by Aviva. The Regulations require that where possible the transaction costs assumed in these illustrations are based on an average of the previous five years' transaction costs for each fund, where available. As Aviva is unable to provide historic transaction costs for these funds, the transaction costs shown above are an average of the costs provided for the 5-year period to 31 December 2024.
*These funds have reported a negative transaction cost over the period of this Statement; we have therefore assumed these costs to be nil as negative are not expected to continue consistently over time.

SCHEDULE 4 – Net Return on Investments

The tables below show performance, net of all charges and transaction costs, of all funds available to members during the Scheme year. The Trustees have taken into account the statutory guidance when providing these investment returns and have not deviated from this.

The Lifetime Targeting Income Drawdown	Annualized returns to 31 December 2024 (%)		
Age of member	**1 year**	**3 years (p.a.)**	**5 years (p.a.)**
25	12.1	4.8	6.0
45	12.1	4.8	6.0
55	12.1	4.8	5.5

The Lifetime Targeting Annuity	Annualized returns to 31 December 2024 (%)		
Age of member	**1 year**	**3 years (p.a.)**	**5 years (p.a.)**
25	12.1	4.8	6.0
45	12.1	4.8	6.0
55	12.1	4.8	5.5

The Lifetime Targeting Cash	Annualized returns to 31 December 2024 (%)		
Age of member	**1 year**	**3 years (p.a.)**	**5 years (p.a.)**
25	12.1	4.8	6.0
45	12.1	4.8	6.0
55	12.1	4.8	5.5

Source: Aviva as at 31 December 2024 and Mercer calculations.

Notes:

- *Returns net of all costs and charges have been calculated in line with the requirements of the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 and accompanying statutory guidance.*
- *The charges assumed are those currently applicable to a single contribution of £10,000 paid into your scheme at the beginning of the reporting period.*
- *Returns are annualised geometric means over the time periods displayed. For example, if a net fund return over a 5 year period was 15.9% this would be shown as 3% p.a. in the ‘5 year’ column.*
- *Returns are net of all costs and charges borne by members, including platform or product administration charges, fund management charges, additional fund expenses and transaction costs. When comparing charges you should ensure that comparator schemes have included all charges, including any initial contribution based charges.*
- *The net returns reflect the current charge arrangement. These charges could vary in the future.*
- *For age specific returns, a normal retirement age of 65 has been used. Please note that if you are comparing returns with a comparator scheme that has chosen a later retirement age this will generally inflate the comparator scheme returns.*
- *Returns for periods above the 5-year period are not available, as performance figures for the Lifetime strategies only extends back to December 2017 .*

Self-select fund	Annualized returns to 31 December 2024 (%)			
	1 year	3 years (p.a.)	5 years (p.a.)	10 years (p.a.)
Passive Global Equity Strategy *	17.9	-	-	-
Diversified Growth Strategy *	7.0	2.4	3.6	-
LGIM – Future World Annuity Aware *	-3.5	-9.8	-4.9	0.3
LGIM – Retirement Income Multi Asset *	4.6	1.3	3.0	-
BlackRock – Cash *	5.4	3.9	2.4	1.5
BlackRock - Passive Global Equity (30:70) (GBP Hedged)	16.8	6.4	9.0	9.0
BlackRock - Passive UK Equity	7.1	4.5	3.8	5.8
BlackRock – Passive Overseas Equity	21.4	9.2	12.8	13.1
LGIM - Ethical Global Equity	19.7	9.5	12.9	-
BlackRock - Passive UK Corporate Bonds Over 15 Years	-7.3	-12.1	-6.0	0.3
BlackRock - Passive Fixed Interest Gilts	-11.7	-18.6	-10.6	-2.3
BlackRock – Passive Index-Linked Gilt	-11.7	-17.8	-8.1	-1.1
HSBC – Islamic Global Equity	30.1	11.7	17.2	15.8

Source: Aviva.

** Fund is part of one of the default investment options, as at 31 December 2024*

Notes:

- *Returns net of all costs and charges have been calculated in line with the requirements of the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 and accompanying statutory guidance.*
- *The charges assumed are those currently applicable to a single contribution of £10,000 paid into your scheme at the beginning of the reporting period.*
- *Returns are annualised geometric means over the time periods displayed. For example, if a net fund return over a 5 year period was 15.9% this would be shown as 3% p.a. in the '5 year' column.*
- *Returns are net of all costs and charges borne by members, including platform or product administration charges, fund management charges, additional fund expenses and transaction costs. When comparing charges you should ensure that comparator schemes have included all charges, including any initial contribution based charges.*
- *The net returns reflect the current charge arrangement. These charges could vary in the future.*
- *For age specific returns, a normal retirement age of 65 has been used. Please note that if you are comparing returns with a comparator scheme that has chosen a later retirement age this will generally inflate the comparator scheme returns.*

SCHEDULE 5 – Asset Allocation in the technical default arrangements

In order that members invested in the Scheme's technical default arrangements can see how their savings were being invested as at 31 December 2024, the table below shows the percentage of each of the main asset classes held by the Lifetime Targeting Annuity and Lifetime Targeting Cash for members at different ages. Where a fund invests in one or more underlying funds, the asset allocation shown is that of the underlying funds.

The Lifetime Targeting Annuity

	Percentage allocation – average 25 years	Percentage allocation – average 45 years	Percentage allocation – average 55 years	Percentage allocation – average 65 years
Cash	3.87%	3.87%	3.87%	22.12%
Corporate Bonds	0.70%	0.70%	0.70%	48.85%
Government Bonds	0.25%	0.25%	0.25%	29.02%
Other Bonds	7.15%	7.15%	7.15%	0.00%
Listed Equities	60.48%	60.48%	60.48%	0.00%
Private Equity	0.00%	0.00%	0.00%	0.00%
Property/Real Estate	0.65%	0.65%	0.65%	0.00%
Infrastructure	0.00%	0.00%	0.00%	0.00%
Private Debt/Credit	0.00%	0.00%	0.00%	0.00%
Other	26.90%	26.90%	26.90%	0.00%

The Lifetime Targeting Cash

	Percentage allocation – average 25 years	Percentage allocation – average 45 years	Percentage allocation – average 55 years	Percentage allocation – average 65 years
Cash	3.87%	3.87%	3.87%	88.20%
Corporate Bonds	0.70%	0.70%	0.70%	11.80%
Government Bonds	0.25%	0.25%	0.25%	0.00%
Other Bonds	7.15%	7.15%	7.15%	0.00%
Listed Equities	60.48%	60.48%	60.48%	0.00%
Private Equity	0.00%	0.00%	0.00%	0.00%
Property/Real Estate	0.65%	0.65%	0.65%	0.00%
Infrastructure	0.00%	0.00%	0.00%	0.00%
Private Debt/Credit	0.00%	0.00%	0.00%	0.00%
Other	26.90%	26.90%	26.90%	0.00%

Additional defaults - Aviva Pension MyM BlackRock (30:70) Currency Hedged Global Equity Index Fund

	Asset Allocation (%)
Cash	1.00%
Corporate bonds	0.00%
Government bonds	0.00%
Other bonds	0.00%
Listed Equity	99.00%
Private Equity	0.00%
Property	0.00%
Infrastructure	0.00%
Private Debt	0.00%
Other	0.00%

Additional defaults - Aviva Pension MyM Legal & General (PMC) Future World Annuity Aware

	Asset Allocation (%)
Cash	0.10%
Corporate bonds	61.20%
Government bonds	38.70%
Other bonds	0.00%
Listed Equity	0.00%
Private Equity	0.00%
Property	0.00%
Infrastructure	0.00%
Private Debt	0.00%
Other	0.00%

Additional defaults - Aviva Pension MyM BlackRock Institutional Sterling Liquidity Fund

	Asset Allocation (%)
Cash	88.20%
Corporate bonds	11.80%
Government bonds	0.00%
Other bonds	0.00%
Listed Equity	0.00%
Private Equity	0.00%
Property	0.00%
Infrastructure	0.00%
Private Debt	0.00%
Other	0.00%

Additional defaults - Aviva Pension MyM BlackRock Over 15 Year Corporate Bond Index Fund

	Asset Allocation (%)
Cash	0.40%
Corporate bonds	99.6%
Government bonds	0.00%
Other bonds	0.00%
Listed Equity	0.00%
Private Equity	0.00%
Property	0.00%
Infrastructure	0.00%
Private Debt	0.00%
Other	0.00%

Additional defaults - Aviva Pension MyM BlackRock Over 15 Year Gilt Index Fund

	Asset Allocation (%)
Cash	0.10%
Corporate bonds	0.00%
Government bonds	99.90%
Other bonds	0.00%
Listed Equity	0.00%
Private Equity	0.00%
Property	0.00%
Infrastructure	0.00%
Private Debt	0.00%
Other	0.00%

SCHEDULE 6 – Signed SIP

STATEMENT OF INVESTMENT PRINCIPLES January 2024

HENKEL RETIREMENT BENEFITS SCHEME DB & DC SECTIONS

Introduction

The purpose of this Statement of Investment Principles (the "Statement") is to record the investment arrangements adopted by the Trustees of the Henkel Retirement Benefits Scheme ("the Scheme") for the Henkel DB Section and the Henkel DC Section and the rationale behind those arrangements.

The Scheme is comprised of several sections. Some sections provide benefits on a defined benefit ("DB") basis and others on a defined contribution ("DC") basis. In addition, some with DB benefits include DC investments in respect of members' additional voluntary contributions or "pension bonus" contributions.

For the purposes of this Statement, the sections which provide DB benefits will be referred to as the "DB Section" and the sections which provide DC benefits (including DC investments under DB sections) will be referred to as the "DC Section".

This Statement is designed to comply with the requirements of the Pensions Act 1995 as amended by the Pensions Act 2004 (the "Act"), the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015, and subsequent legislation. It is also intended to fulfil the spirit of the Code of Best Practice (the "Myners Code") published in 2001 and revised in 2008 (DB) and 2010 (DC). In preparing this Statement, the Trustees have consulted Henkel Ltd ('the Company'), to ascertain whether there are any material issues of which the Trustees should be aware in agreeing to the Scheme's investment arrangements.

Overall investment policy falls into two parts. The strategic management of the Scheme's assets is the responsibility of the Trustees, acting upon the advice from Mercer Limited ("the Investment Consultant") and driven by the objectives below. The remaining elements of the policy are the day-to-day management of the assets. For the DB section, this has been delegated to BlackRock ("the DB Investment Manager"). For the DC section, the Trustees have invested all of the assets in an insurance policy with Aviva that offers access to a wide range of pooled funds.

In considering the appropriate investments for the Scheme, the Trustees obtained and considered the written advice from their Investment Consultant, Mercer Limited, whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 35 of the Pensions Act 1995 (as amended).

Defined Benefit Section ("DB Section")

Investment Objectives

The Trustees are required to invest the DB Section's assets in the best interests of the members, beneficiaries and Company and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries.

Within this context the Trustees' main objectives with regard to the investment policy are:

- to provide appropriate security for all beneficiaries
- to achieve long-term growth whilst managing investment risks

The Trustees recognise that the Company has a key role to play in assisting the Trustees to fulfil its primary responsibility of paying benefits and accordingly seeks to maintain the continued long-term support of the Company.

The Trustees are responsible for reviewing the DB Section's investment strategy in consultation with the Scheme's Investment Consultant.

Risk Management and Measurement

The Trustees are aware of and pay close attention to a range of risks inherent in investing the assets of the DB Section and have considered the impact of risks that they believe to be financially material within the expected lifetime of the Scheme.

The Trustees believe that the DB investment strategy provides for adequate diversification both within and across different asset classes and sectors. The Trustees further believe that the current investment strategy is appropriate given the DB Section's liability profile.

The Trustees' policy on risk management is as follows:

- The primary investment risk faced by the DB Section arises as a result of a mismatch between the DB Section's assets and its liabilities. This is therefore the Trustees' principal focus in setting the investment strategy.
- The Trustees recognise that whilst increasing risk increases potential returns over the long term, it also increases the risk of a shortfall in returns relative to that required to cover the DB Section's liabilities as well as producing more short-term volatility in the DB Section's funding position. The Trustees have taken advice on the matter and (in light of the objectives noted previously) carefully considered the implications of adopting different levels of risk.
- The Trustees recognise the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustees aim to ensure the asset allocation policy in place results in an adequately diversified portfolio. The DB Section may invest in pooled funds or on a segregated basis.
- The documents governing the manager's appointment include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the DB Section. The manager is prevented from investing in asset classes outside its mandate without the Trustees' prior consent.

- The Trustees recognise the risk that there are insufficient liquid assets available to meet benefit payments as they fall due i.e. "liquidity risk". This is monitored according to regular comparison of the level of cash flows required by the Scheme over a specified period with the level of cash actually held. It is managed by holding an appropriate amount of readily realisable investments – the majority of the Scheme's assets are invested in quoted markets.

- There is a risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation i.e. "credit risk". This is partially mitigated by the Scheme investing in corporate bonds that are rated as investment grade credit (i.e. higher quality bonds).

- The Trustees are mindful of the risk of changes to the Sponsor's covenant. This is assessed as the level of ability and degree of willingness of the Sponsor to support the continuation of the Scheme and to make good any current or future deficit. It is managed by assessing the interaction between the Scheme and the Sponsor's business, as measured by a number of factors, including the creditworthiness of the Sponsor and the size of the pension liability relative to the Sponsor.

- Considerations specific to Environmental, Social and Governance ("ESG") issues are addressed in Section 4.2.

- Arrangements are in place to monitor the DB Section's investments to help the Trustees check that nothing has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, the Trustees receive quarterly reports from the DB Investment Manager. These reports include information about the level of return within the various portfolios held by the Scheme. The Trustees also receive bi-annual reporting from the Investment Consultant, which provides a more detailed breakdown of the level of return within the Scheme as well as an overall level of return in order to provide additional oversight of the DB investment manager. The Trustees take advice from the Investment Consultant on the manager's performance, as required.

- The safe custody of the DB Section's assets is delegated to professional custodians.

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Should there be a material change in the DB Section's circumstances, the Trustees will review whether and to what extent the investment arrangements should be altered; in particular whether the current risk profile remains appropriate.

Investment Strategy

Investment policy can be considered in two parts: (1) the strategic management, the setting of which is one of the fundamental responsibilities of the Trustees and (2) the day-to-day management of the assets, which has been delegated to the DB Investment Manager.

Given the investment objectives, the Trustees have implemented the investment strategy detailed in Appendix A. The Trustees believe that the investment risk arising from the investment strategy is consistent with the overall level of risk being targeted.

Expected Return

Over the long term, the Trustees expect the return on the DB Section's assets to be sufficient to meet its objectives.

Day–to-Day Management of the Assets

The Trustees delegate the day-to-day management of the assets to the DB Investment Manager, BlackRock. The Trustees have taken steps to satisfy themselves that BlackRock have the appropriate knowledge and experience for managing the Scheme's investments and that they are carrying out their work competently. The Trustees have determined, based on expert advice, a benchmark mix of asset types and ranges within which BlackRock may operate

The Trustees review the continuing suitability of the Scheme's investments as well as the appointed manager. Any adjustments will be undertaken with the aim of ensuring the overall level of risk and return is consistent with that being targeted.

Defined Contribution Section ("DC Section")

Investment Objectives

The Trustees recognise that members have differing investment needs which may change during the course of their working lives. They also recognise that members may have different attitudes to risk. The Trustees believe that where possible the members should make their own investment decisions based on their individual circumstances.

The Trustees' objective is to provide a range of investment options, which while avoiding complexity, should assist members in achieving the following:

- Maximising the value of retirement benefits, to ensure a reasonable standard of living in retirement.
- Protecting the value of benefits in the years approaching retirement against sudden volatility in capital value and fluctuations in the cost of providing benefits.
- Tailoring a member's investments to meet his or her own needs.

The Trustees' Investment Consultant provides advice regarding the suitability of this approach.

The Trustees have also established default investment options that are described in Appendix D, which is appropriate for any member not wishing to make their own investment decisions. There are also a number of 'technical defaults' in the Scheme which have been created following past mapping exercises, these are also set out in Appendix D.

The risks set out in Section 3.2 and other factors referenced are those that the Trustees consider to be financially material considerations in relation to the DC Section. The Trustees believe that the appropriate time horizon in which to assess as financially material considerations is based on individual member's horizons, and are dependent on member age and target retirement dates. In designing the default lifestyle option and alternative lifestyles, the Trustees have considered the proximity to target retirement dates when designing the strategy.

The Trustees are satisfied that the funds offered to members and the appointed investment managers are consistent with the objectives of the DC Section, particularly in relation to diversification, risk, expected return and liquidity.

Scheme assets are mainly invested on regulated markets. Some funds may have higher exposure to securities not on regulated markets. It is at the discretion of investment managers to ensure these are kept to prudent levels.

The Trustees consider investment objectives and policies when choosing investments either for the self-select fund range or for inclusion within the default investment option. The Trustees receive written advice from their Investment Consultant on any investments prior to them being implemented. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

Risk Management and Measurement

The Trustees have considered risk from a number of perspectives in relation to the DC Section, including the default option, all of which the Trustees believe are financially material. The list below is not exhaustive, but covers the main risks considered by the Trustees in formulating the policy regarding the default investment options.

<table>
<tr><th colspan="2">Type of Risk</th><th>Description</th><th>How is the risk managed and measured?</th></tr>
<tr><td rowspan="4">Market Risk</td><td>Inflation Risk</td><td>The risk that the investment return over members' working lives will not keep pace with inflation.</td><td rowspan="4">The Trustees make available a range of funds, across various asset classes, with the majority expected to keep pace with or exceed inflation over the long term.

Members are able to set their own investment allocations, in line with their risk tolerances.

During the growth phase of the default option, members are invested in an allocation which is expected to grow their pension savings in excess of inflation.

Within active funds, management of many of these risks is the responsibility of the investment manager.

The Trustees consider fund performance, including that of the default investment option, on a quarterly basis.</td></tr>
<tr><td>Currency Risk</td><td>The risk that fluctuations in foreign exchange rates will cause the sterling value of overseas investments to fluctuate.</td></tr>
<tr><td>Credit Risk</td><td>The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.</td></tr>
<tr><td>Equity, property and other price risk</td><td>The risk that investment market movements lead to a substantial reduction in the market value of investments.</td></tr>
</table>

Type of Risk	Description	How is the risk managed and measured?
Pension Conversion Risk	Member's investments do not match how they would like to use their pots in retirement.	The Trustees make available three lifestyle strategies for members. Lifestyle strategies automatically switch member's assets into investments whose value is expected to be less volatile relative to how the member wishes to access their pension savings as they approach retirement age. The default option is a lifestyle strategy which targets income drawdown at retirement. As part of the annual default strategy review, the Trustees review whether the default destination remains appropriate by considering the membership profile, market trends and how members have previously accessed their pension savings. Members who wish to take their pots via other methods are able to choose alternative lifestyles which may be more suitable for targeting these outcomes, reducing the risk of mismatches between investment strategy and target destination.
liquidity Risk	The risk that the Scheme's assets cannot be realised at short notice in line with demand.	The Scheme's assets are invested in daily dealt and daily priced pooled funds, via an insurance policy with Aviva. Investment managers are expected to manage the liquidity of assets in the underlying strategies and keep exposures to any illiquid assets to prudent levels.
Investment Manager Risk	The risk that the investment manager does not meet its fund performance objectives, fails to carry out operational tasks, does not ensure safe-keeping of assets or breaches agreed guidelines.	The Trustees consider fund returns relative to the benchmark. This is monitored on a quarterly basis. The Trustees consider the Investment Consultant's rating of the investment managers on an ongoing basis and prior to implementation.

Type of Risk	Description	How is the risk managed and measured?
Environmental, Social and Governance Risk	The risk that ESG factors, including climate change, have a financially material impact on the return of the Scheme's assets.	The management of this risk has been considered and investment managers are expected to integrate this into their processes. The Trustees review the investment managers' policies and actions in relation to this from time to time. The Trustees' policy on Responsible Investment and Corporate Governance is set out in Section 4.2

Investment Funds

The Trustees believe that the risks identified in 3.2 are best met by offering members a range of investment funds from which to choose. This will allow members to choose investment options suited to their personal requirements. These investment options are offered via a long-term insurance policy with Aviva (see Appendix D).

4. Defined Benefit and Defined Contribution

4.1 Realisation of Investments

Investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation.

In the event of an unexpected need to realise all or part of the assets of the portfolio, the Trustees require the investment managers to be able to realise the Scheme's investments in a reasonable timescale, subject to the market conditions existing at the time the disposal is required and subject to the best interests of the Scheme. The majority of assets are not expected to take an undue time to liquidate.

Within the DB Section, the buy & maintain credit mandate has been designed to provide income from coupon payments to meet benefit payments. Any extraordinary cashflow requirements will be met by disinvesting assets as needed from the portfolio in line with the Trustees' cashflow policy, which is set out in Appendix B.

4.2 Socially Responsible Investment and Corporate Governance

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

The Trustees have given the appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

Equity managers who are FCA registered are expected to report on their adherence to the UK Stewardship Code on an annual basis.

The Trustees will review the investment managers' policies and engagement activities (where applicable) on an annual basis.

The strategic rationale for holding different asset classes that help the Trustees to achieve the Scheme's investment objectives and constraints remains the primary driver behind the Scheme's investment strategy. However, within this context, the Trustees are increasingly considering how ESG, climate change and stewardship issues are integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis and is documented periodically.

Member views are not currently taken into account in the selection, retention and realisation of investments in regard to the DB Section. This position is kept under review. Member views on investment strategy and fund selection in regards to the DC section are not actively sought out, but may be taken into account where expressed, typically through the fund options provided to the members.

There is no set duration for the manager appointments. The Trustees will retain the investment manager and funds unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;

- The manager appointment is reviewed and the Trustees decide to terminate for a more suitable appointment.

These policies relating to responsible investment and corporate governance are applicable to both the default investment option (Appendix D) and all other arrangements within the DC section including the self-select fund range options.

4.3 Non-Financial Matters and Member Views

a) Non-financial matters refer to the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impacts of investments and the future quality of life of members.

Member views have not been explicitly taken into account in the selection, retention and realisation of investments. The Trustees make available a self-select ESG fund in the DC Section following a request from member for this type of fund to be available.

4.4 Investment manager arrangements

For the DC Section, it is noted that the Trustees do not hold a direct relationship with the investment managers, rather the Scheme invests through insurance policy held with Aviva who has the direct relationship with managers. As such, the Trustee may set expectations for the underlying managers to follow but ultimately the investment platform holds the direct link with them. For the purpose of this policy for the DC Section where investment managers are referenced the Trustees are referring to the underlying investment managers.

In line with previous sections of this SIP, investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class the Trustees have appointed them for. The underlying investment managers are aware that their continued appointment is dependent on their success in delivering the mandate(s) that they have been appointed to deliver.

The Trustees look to their investment consultant for their forward-looking assessment of the investment managers' ability to achieve the funds' investment objectives over a full market cycle. The consultant's manager research ratings assist with due diligence and questioning the manager during presentations to the Trustees. These ratings are used in decisions around selection, retention and realisation of manager appointments.

If the investment objective for a particular fund changes, the Trustees will review the fund's appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives. Some appointments are actively managed and the managers are incentivised through performance objectives for each fund (an appointment may be reviewed following periods of sustained underperformance or significant outperformance). The Trustees will review the appropriateness of using actively managed funds (on an asset class basis) from time to time.

Where the Trustees invest in pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates have been selected to align with the overall investment strategy. The LDI and buy and maintain mandates within the DB section are actively managed, have been designed with the aim of a achieving a return in excess of the liability profile of the fund, while limiting downside risk. The Diversified Growth Funds that make up the Diversified Growth Strategy in the DC section have been appointed with the aim of achieving a return in excess of an absolute return benchmark, whilst limiting drawdowns relative to wider markets.

The Trustees will also consider the investment consultant's assessment of how each investment manager embeds ESG into its investment process. This includes the investment managers' policy on voting and engagement. The Trustees will use this assessment in decisions around selection, retention and realisation of manager appointments.

The Trustees meet with the investment managers from time to time and have the opportunity to challenge decisions made including voting history (in respect of equities) and engagement activity if they wish to try to ensure the best long term performance over the medium to long term.

The investment managers are aware that their continued appointment is based on their success in delivering the mandates they have been appointed to manage. If the Trustees are dissatisfied, then they will look to replace the managers.

The Trustees receive six-monthly investment performance reports from the investment consultant, which present performance information over 3 months, 1 year, 3 years and since inception. The Trustees review the absolute performance, the relative performance against a suitable benchmark, and against the manager's stated target performance (over the relevant time period) on a net of fees basis. The Trustees regularly review this performance. The Trustees' focus is on long term performance, but they may put a fund 'on watch' if there are short term performance concerns and may look to replace the manager if performance does not improve. Furthermore, if a manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustees may ask the manager to review its fees (see Appendix C for details of current fees).

The Trustees do not define set ranges in respect of portfolio turnover and costs. The Trustees ask the investment managers to include portfolio turnover and turnover costs in their presentations and reports to the Trustees. The Trustees will engage with the manager if portfolio turnover is higher than expected as reasonable for the type of mandate. In general, where passive mandates are utilised, the Trustees would typically not expect to see a large amount of turnover in the portfolio, whereas in active mandates higher levels of turnover may be expected.

The Trustees will assess portfolio turnover and costs by broadly comparing portfolio turnover relative to the manager's specified portfolio turnover range in the investment guidelines or prospectus. In respect of the DC Section, the Trustees will also consider transaction costs as a method to assess the level of additional costs incurred by members that may indicate higher levels of turnover within a portfolio.

The Trustees are long term investors and are not looking to change the investment arrangements on a frequent basis.

There is no set duration for the manager appointments. For both Sections, the Trustees will retain the investment manager and funds unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;

- The manager appointment is reviewed and the Trustees decide to terminate for a more suitable appointment.

In respect of the DC Section, the fund range and default strategy are reviewed on at least a triennial basis. Given the expected long time horizon for DC members within the Scheme, the investments are typically open-ended and expected to be perpetual.

4.5 Additional Voluntary Contributions ("AVCs")

Under the terms of the Trust Deed the Trustees are responsible for the investment of AVCs paid by members. AVCs are currently invested with Aviva alongside DC Section assets (detailed in Appendix D) and with Prudential.

The objective is to provide a return consistent with that achieved by typical investment options for AVC investment.

If members are considering paying AVCs then the Trustees strongly advise that they seek FCA regulated financial advice.

With the assistance of the Scheme Actuary and the Trustees' Investment Consultant, the Trustees will review these arrangements from time to time to ensure that they remain consistent with the needs of the members.

4.6 Custodian and Advisors

Custodian

The role of a custodian is to ensure the safe keeping of the assets and facilitate all transactions entered into by the appointed investment managers.

b) The Trustees have appointed State Street as custodian of segregated investments for the DB Section. The Trustees are not responsible for the appointment of the custodian of the assets contained within the various pooled fund investments. However, the Trustees are comfortable that BlackRock has procedures in place for the appointment and monitoring of the relevant custodians and for conducting periodic reviews.

Actuary

c) Adam Tidey of Mercer Limited is the appointed Scheme Actuary.

d) The actuary performs a valuation of the Scheme at least every three years, in accordance with regulatory requirements. The next valuation is expected to be performed by the Scheme Actuary, with an effective date of 31 December 2025. The main purpose of the actuarial valuation is to assess the extent to which the assets cover the accrued liabilities and provide information to help determine the Participating Employers' contribution rate.

Investment Consultant

Whilst the day-to-day management of the Scheme's assets in the DB section is delegated to BlackRock, all other investment decisions including strategic asset allocation and selection and monitoring of investment managers across the DB and DC sections is based on advice received from the Investment Consultant. Mercer Limited has been appointed for this purpose.

Administrator

The Scheme's administrator for the DB Section is Mercer Limited. The administration of the DC Section is provided by the Scheme's bundled investment platform provider, Aviva.

The investment platform provider for the DC Section

The Scheme's bundled investment platform provider is Aviva, who:

- Operates within the terms of this Statement and the written contract;
- Provides access to a platform through which third party funds can be accessed by the Trustees, for the DC Section's members;
- Provides the administration for the DC Section.

4.7 Fees

All fees associated with managing the Scheme's assets have been agreed between the providers and the Trustees.

4.8 Performance monitoring

The performance of each investment manager in the DB and DC Sections is monitored by the Investment Committee and Investment Consultant, using data provided by the Investment Managers. Performance is measured on a bi-annual basis and aggregated to facilitate comparison over longer periods.

In addition the Investment Committee meets the investment managers regularly to review their investment actions together with the reasons for and the background to the performance.

4.9 Compliance with this Statement

The Trustees monitor compliance with this Statement annually and obtain written confirmation from the Investment Manager that it has given effect to the investment principles in this Statement so far as reasonably practicable and that in exercising any discretion the investment managers have done so in accordance with Section 4 of The Occupational Pension Schemes (Investment) Regulations 2005.

4.10 Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Geoff Ashton	*23 January 2024*
Trustee	Date

The Trustees of the Henkel Retirement Benefits Scheme

Appendix A – Defined Benefit Section

Strategic Benchmark

The Trustees have agreed to de-risk the Scheme so that it is only invested in matching assets. This decision followed a request by the Company to change the Scheme's investment strategy to reduce the risk of deterioration in the Scheme's funding level.

A summary of the strategic asset allocation for the Scheme is provided below.

Asset Class	Interim Central Allocation (%)	Permitted range (%)
Matching Assets	**100.0**	**n/a**
Buy and Maintain Credit	40.6	n/a
Cash	0.0	n/a
LDI Portfolio	59.4	n/a
Total	**100.0**	

The DB Section has a target hedge ratio of 95% of nominal and real interest rate exposure (on the Technical Provision basis for valuing the liabilities). The interest rate and inflation exposure from the LDI portfolio, together with the interest rate exposure from the Buy & Maintain Credit Fund, is used to achieve the required level of hedging.

There is a residual investment in private equity, amounting to < 0.3% of Scheme's assets (as at 30 September 2023). No new allocations are being made to this asset class.

Performance Objectives

The overall objective of BlackRock is to match the interest rate and inflation profile of the Scheme's liabilities. The performance objectives of the underlying funds are detailed overleaf.

BlackRock

Asset Class	Portfolio	Benchmark index	Performance Target (% p.a.)
Buy and Maintain Credit	Segregated mandate	n/a	Invest in a diversified portfolio of primarily investment grade fixed income securities with the aim of delivering an attractive yield and spread. The portfolio will be managed on a buy and maintain basis. Its aim is to partially provide income to meet cashflow requirements and also, along with the LDI Portfolio, to provide interest rate exposure with the aim of achieving the target nominal hedge ratio.
Liability Driven Investment	Institutional Liquidity Fund; directly held cash, gilts, Network Rail bonds	n/a	To manage the LDI portfolio to control the interest rate and inflation exposure relative to the Scheme's cashflow portfolio.
Cash	Institutional Sterling Liquidity Fund	7 day LIBID	Maximise income through use of high quality short term money market instruments

Appendix B – Defined Benefit Section – Cashflow Policy

In the first instance, surplus cash arising from the Fund's buy & maintain credit portfolio should be used to meet cash outflows. The buy and maintain credit portfolio has been designed to provide cash in the form of income and principal repayments in line with expected liability cashflows.

However, should this not be sufficient to meet the cashflow requirements of the Scheme in full, the Scheme may be required to make disinvestments to make up the shortfall, the Scheme will disinvest from the LDI portfolio in order to meet the cashflow requirements. The Scheme's investments with BlackRock can be traded on a daily basis, as needed, for this purpose.

If the Mercer administration team has identified a shortfall of less than £1m in any month, Mercer's investment team will disinvest from the LDI portfolio in order to meet the cashflow requirements.. It is assumed that in most cases, cashflow will be met from surplus cash in the investment portfolio arising from the buy and maintain credit mandate as described above.

In cases where an amount in excess of £1m is required to meeting cashflows, Mercer will contact the Trustees with its cashflow advice for approval, and organise Trustee signatures to authorise the required withdrawal from the BlackRock portfolio.

Appendix C – Fees

Investment Management Fees

The underlying elements of the annual management charges (AMCs) are reflected in the table below:

Total Portfolio	**Rate p. a.**
Matching Assets	
Buy and Maintain Credit Portfolio*	0.14%
LDI Portfolio*	0.04%
Liquid Assets	
BlackRock Institutional Sterling Liquidity Fund	0.07%**

*Subject to a minimum fee of £250k per annum ACROSSTHE Buy and Maintain Credit and LDI portfolios.
** In addition to the AMC quoted in the table above for the Sterling Liquidity Fund, there will be a charge of 0.03% for third party expenses (custody, safekeeping, transaction fees, fund administration and transfer agency).

Appendix D – Defined Contribution Section

Lifetime Programme

The Scheme makes available three lifetime strategies for members.

i. The Lifetime Targeting Income Drawdown (the current default investment option)

ii. The Lifetime Targeting Annuity (the previous default investment option)

iii. The Lifetime Targeting Cash

All lifetime strategies invest 50% of assets in global equities and 50% in a diversified growth fund until eight years before the member's retirement date. As retirement approaches, these assets are gradually transferred into a pre-retirement funds suitable for the respective target and a cash fund (and retaining the diversified growth fund holding in the case of Lifetime Targeting Income Drawdown).

i. The Lifetime Targeting Income Drawdown (the current default investment option)

Asset Class	**Fund**	**Years to Retirement**								
		8+	**7**	**6**	**5**	**4**	**3**	**2**	**1**	**0**
Global Equities	Aviva Pension MyM Passive Global Equity Strategy	50.0	43.75	37.5	31.25	25.0	18.75	12.5	6.25	0.00
Diversified Growth	Aviva Pension MyM Diversified Growth Strategy	50.0	43.75	37.5	31.25	25.0	18.75	12.5	6.25	0.00
Pre-Retirement Fund (Multi-Asset)	Aviva Pension MyM LGIM Retirement Income Multi-Asset Fund	0.0	12.5	25.0	37.5	50.0	62.5	70.0	70.0	70.0
Cash	Aviva Pension MyM BlackRock Institutional Sterling Liquidity	0.0	0.0	0.0	0.0	0.0	0.0	5.0	17.5	30.0

This Lifetime strategy is the default investment option for those members who do not wish to make an active choice on their investments. Further detail on the default investment option is provided below.

ii. The Lifetime Targeting Annuity (the previous default investment option)

Asset Class	Fund	Years to Retirement								
		8+	7	6	5	4	3	2	1	0
Global Equities	Aviva Pension MyM Passive Global Equity Strategy	50.0	38.0	25.0	13.0	0.0	0.0	0.0	0.0	0.0
Diversified Growth	Aviva Pension MyM Diversified Growth Strategy	50.0	50.0	50.0	50.0	50.0	38.0	25.0	13.0	0.0
Pre-Retirement Fund	Aviva Pension MyM LGIM Pre-Retirement	0.0	12.0	25.0	37.0	50.0	62.0	67.0	71.0	75.0
Cash	Aviva Pension MyM BlackRock Institutional Sterling Liquidity	0.0	0.0	0.0	0.0	0.0	0.0	8.0	16.0	25.0

iii. The Lifetime Targeting Cash

Asset Class	Fund	Years to Retirement								
		8+	7	6	5	4	3	2	1	0
Global Equities	Aviva Pension MyM Passive Global Equity Strategy	50.0	38.0	25.0	13.0	0.0	0.0	0.0	0.0	0.0
Diversified Growth	Aviva Pension MyM Diversified Growth Strategy	50.0	50.0	50.0	50.0	50.0	38.0	25.0	13.0	0.0
Pre-Retirement Fund	Aviva Pension MyM LGIM Pre-Retirement	0.0	12.0	25.0	37.0	50.0	37.0	25.0	12.0	0.0
Cash	Aviva Pension MyM BlackRock Institutional Sterling Liquidity	0.0	0.0	0.0	0.0	0.0	25.0	50.0	75.0	100.0

The Aims and Objectives of the Default Investment Option

The current and previous default investment options manage investment and other risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. Any investment in derivative instruments contributes to risk reduction, or efficient portfolio management.

Typically, a proportion of members will actively choose the default investment option because they feel it is most appropriate for them. However, the vast majority of DC scheme members do not make an active investment decision and are invested in the default investment option.

The Scheme's current default investment option is the Lifetime Targeting Income Drawdown. The Trustees consider the current default investment option to be appropriate for a member intending to take their retirement savings through income drawdown, along with a 25% tax-free cash lump sum, at retirement.

The Scheme continues to have members invested in the previous default investment option, the Lifetime Targeting Annuity. These members were within eight years of their intended retirement date when the Lifetime Targeting Income Drawdown became the current investment option in July 2019. The Trustees consider the previous default investment option (which continues to be treated as a default investment option for governance purposes) to be appropriate for a member intending to take their retirement savings through annuity purchase, along with a 25% tax-free cash lump sum, at retirement.

The Trustees recognise that the default investment options will not be appropriate for all members and therefore encourages members to make their own investment decisions.

As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the default investment options aim to reduce investment risk as the member approaches retirement, relative to how they intend to take their benefits. These risks are managed via automated lifestyle switches over the eight-year period prior to a member's selected retirement date.

In designing the default investment options, the Trustees have explicitly considered the trade-off between risk and expected returns.

If members wish to, they can opt to choose their own investment strategy or an alternative lifetime strategy on joining but also at any other future date.

Assets in the default investment options are invested in the best interests of members and beneficiaries, taking into account the profile of members. Assets in the default investment options are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.

Assets in the default investment options are mainly invested on regulated markets. Some funds may have higher exposure to securities not on regulated markets. It is at the discretion of investment managers to ensure these are kept to prudent levels.

Policies in Relation to the Default Investment Options

In addition to the Trustees' Investment Objectives (covered in Section 3.1) and the Aims and Objectives of the Default Investment Options above, the Trustees believe, with the aim that assets are invested in the best interests of members, that:

- The growth phase structure, that invests in global equities and other growth-seeking assets (through the use of a diversified growth fund), will provide growth with some downside protection and some protection against inflation erosion.
- The default investment option manages investment and other risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. Any investment in derivative instruments contributes to risk reduction, or efficient portfolio management.

- The Trustees have considered the balance of investments to be held in the default investment option, including the characteristics of particular asset classes and the balance between the use of active and passive investments where appropriate.
- As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustees believe that the default investment option that seeks to reduce investment risk as the member approaches retirement is appropriate.
- Taking into account the current demographics of the Plan's membership and the Trustees' views of how the membership will behave at retirement, the Trustees believe that the current and previous default investment options are appropriate and will continue to review this over time, at least triennially, or after significant changes to the Scheme's demographic, if sooner.
- Assets in the default investment options are ultimately invested in daily traded pooled funds which hold highly liquid assets. The pooled funds are commingled investment vehicles which are managed by various investment managers.
- The selection, retention and realisation of assets within the pooled funds is at the discretion of the respective investment managers in line with the mandates of the funds. Likewise, the investment managers have full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical conditions are taken into account in the selection, retention and realisation of investments as set out in Section 4.2.
- The Trustees consider 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 investment options include no direct allocation to illiquid investments but the underlying funds used in the default investments options may hold a small portion of their asset indirectly in illiquid investments.
- The Trustees understand the potential return and 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, they are also aware of the risks of illiquid assets to members. Given the potential for valuations of illiquid assets to not reflect their true value at a given time, as well as concerns over liquidity management; the Trustee considers direct investment into an illiquid asset fund as not currently suitable for members of the Scheme.
- In selecting investments for the default investment options, the Trustees use both qualitative and quantitative analysis to consider the expected impact of different strategic allocation mixes. For any new investment, the Trustees carefully consider whether the investment provides value for members, taking account of the return potential and associated risks. It is the Trustees' policy to review the allocation of the default investment strategy on at least a triennial basis. Such reviews will include whether the incorporation of illiquid asset investments is appropriate.

Additional default arrangements

In accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, as amended, the Scheme has identified the investment options listed in the table below as 'default arrangements' (as defined by these regulations) in addition to the current default investment option in which new members are directed.

These have been identified as 'additional default arrangements' as members' accrued funds and contributions have been automatically directed to these funds without members having instructed the Trustees where their contributions are to be invested, these are not default arrangements for the purposes of auto-enrolment; these defaults exist due to historic investment option removals and were the result of three exercises:

- Mapping of former self-select funds to the Aviva My Money Platform (previously Friend's Life at the time of transition).
- Changes made to diversify the diversified growth fund from the Aviva Pension MyM BlackRock DC Diversified Growth Fund to three underlying managers in the white-labelled Aviva Pension MyM Diversified Growth Strategy.
- Rationalisation and transfer of assets held with Equitable Life to the main DC Scheme assets.

Further explanation and detail is provided in the table below.

Fund	Previous Arrangement	Reason for identification as a 'default arrangement'	Date
Aviva Pension MyM BlackRock (30:70) Currency Hedged Global Equity Index (Aquila C) Fund	L&G Global Equity (60:40) Index Fund	These defaults were created when funds were mapped to the Aviva Platform (previously Friend's Life) as part of the transition of the Scheme assets to the Aviva platform as part of the 2003 section.	December 2015
Aviva Pension MyM BlackRock Over 15 Year Gilt Index (Aquila C) Fund (50%)	L&G AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund		
Aviva Pension MyM BlackRock Over 15 Year Corporate Bond Index (Aquila C) Fund (50%)			
Aviva Pension MyM BlackRock Institutional Sterling Liquidity Fund	L&G Cash Fund		
Aviva Pension MyM BlackRock (30:70) Currency Hedged Global Equity Index (Aquila C) Fund (80%)	L&G Consensus Index Fund	These defaults were created when Loctite section funds were mapped to the Aviva Platform (previously Friend's Life) as part of the transition of the	December 2015
Aviva Pension MyM BlackRock Over 15			

Year Gilt Index (Aquila C) Fund (20%)		Scheme assets to the Aviva platform.	
Aviva Pension MyM BlackRock Over 15 Year Corporate Bond Index (Aquila C) Fund	L&G Over 15 Year Gilts Index Fund		
Aviva Pension MyM BlackRock Institutional Sterling Liquidity Fund	L&G Cash Fund		
Aviva Pension MyM BlackRock (30:70) Currency Hedged Global Equity Index (Aquila C) Fund (80%)	BlackRock DC Balanced Growth Fund	These defaults were created when Pension Bonus section funds were mapped to the Aviva Platform (previously Friend's Life) as part of the transition of the Scheme to the Aviva platform	December 2015
Aviva Pension MyM BlackRock Over 15 Year Gilt Index (Aquila C) Fund (20%)			
Aviva Pension MyM LGIM Pre-Retirement Fund	BlackRock DC Pre-Retirement Fund		
Aviva Pension MyM BlackRock Institutional Sterling Liquidity Fund	BlackRock Cash Fund		
Aviva Pension MyM Diversified Growth Strategy	Aviva Pension MyM BlackRock DC Diversified Growth Fund	As a result of the decision to replace the Aviva Pension MyM BlackRock DC Diversified Growth Fund with the Aviva Pension MyM Diversified Growth Strategy the decision was taken to move these members to the Aviva Pension MyM Diversified Growth Strategy without consent due to the belief that this was in the best interest of these members as it would provide a similar investment strategy.	October 2017
Aviva Pension MyM Diversified Growth Strategy (50%)	Equitable Life Managed Fund	This combination of funds is the default investment option growth phase.	December 2017

Aviva Pension MyM BlackRock Aquila Life (30:70) Currency Hedged Global Equity Index (50%)		Following the decision to rationalise the Equitable Life Managed Fund it was deemed appropriate to move members into a broadly similar investment strategy which the growth phase provides.	
Aviva Pension MyM BlackRock Institutional Sterling Liquidity	Equitable Money Fund	Following the decision to rationalise assets held within the Equitable Life policies it was deemed that the Aviva Pension MyM BlackRock Institutional Sterling Liquidity was the most appropriate destination for assets held in the Equitable Life Money Fund.	December 2017 / April 2022
Lifetime Targeting Cash	Utmost Life Money Market Fund	Following the decision to move the Scheme's AVCs with Utmost to Aviva it was deemed appropriate that the DC arrangement Lifestyle Targeting Cash was the most appropriate destination for members given the expectation that AVCs will be taken as cash at retirement.	April 2022

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

The Trustees' aims and policies in relation to the additional default arrangements are detailed below:

- To provide members with a fund that is a suitable replacement for one that was removed from the Scheme, in terms of the asset class exposure and expected levels of risk and return (where a static allocation to one or more funds was chosen) or to a strategy deemed to be suitable for a typical Scheme member (where a lifestyle strategy was chosen).

- Assets in the default investment options and the additional default arrangements are ultimately invested in daily traded pooled funds, which are predominantly invested in highly liquid assets. The pooled funds are commingled investment vehicles which are managed by various investment managers. The selection, retention and realisation of assets within the pooled funds are delegated to the respective investment managers in line with the mandates of the funds. Likewise, the investment managers adhere full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical conditions are taken into account in the selection, retention and realisation of investments.

- The performance of these funds are monitored quarterly, with a strategic review being carried out at least triennially since falling under the categorisation of a 'default arrangement'.

- Risks associated with these investments have been considered in line with the defined contribution section of the Risk Management and Measurement section of this document (Section 3.2).

- The Trustees policies in respect of these additional default arrangements mirrors those applicable to the Scheme's default investment options in respect of financial and non-financial considerations, responsible investment and illiquid investments (where applicable).

The Trustees review both the default investment options and additional default arrangements at least every three years and without delay after any significant change in the investment policy or the demographic profile of relevant members. The Trustees monitor the performance of the default investment options and additional defaults arrangements quarterly via monitoring reports and advice from the Investment Consultant, which includes considering the investment performance net of management fees and considering the Trustees' aims and objectives are being met.

Day to Day Management of the Assets

Main Assets

The Trustees have contracted with Aviva via a long-term insurance contract. The Plan's investment platform is provided under contract with Aviva, who is regulated by the Financial Conduct Authority (the "FCA").

The Trustees undertake to review the investment options offered to members and the investment manager arrangements on a regular basis. The investment options comprise primarily of equity, bonds, diversified growth funds and cash.

The Trustees expect the investment managers to manage the assets appropriately under the terms of their contracts. The Investment Managers have full discretion to buy and sell investments, subject to agreed constraints and applicable legislation. They have been selected for their expertise in different specialisations and on the basis of having carried out appropriate due diligence.

3.2 Spread and Suitability of Investments

The Trustees are satisfied that the spread of assets by type, and the investment managers' policies on investing in individual securities within each type, provide adequate diversification of investments. Mercer monitor the suitability of the investment options (outlined below), through ongoing research and performance reviews.

As the assets of the Scheme are invested in the pooled fund vehicles underlying the funds offered by Aviva, the investment restrictions applying to these funds are determined by the underlying investment managers.

Investment Options

Details of the range of funds available are set out below together with the corresponding on-going investment charges.

Asset Class	**Fund**	**Allocations (%)**	**Total Expense Ratio (% p.a.)**
UK Equities	Aviva Pension MyM BlackRock UK Equity Index (Aquila C)	100.0	0.24
Overseas Equities	Aviva Pension MyM BlackRock World ex UK Equity Index (Aquila C)	100.0	0.22
Global Equities	Aviva Pension MyM BlackRock (30:70) Currency Hedged Global Equity Index (Aquila C)	100.0	0.31
Global Equities (L) *	Aviva Pension MyM BlackRock MSCI Currency Hedged World Index	46.0	0.34

(Aviva Pension MyM Passive Global Equity Strategy)	Aviva Pension MyM LGIM Global Small Cap Equity Index	10.0	
	Aviva Pension MyM BlackRock World ESG Equity Tracker	16.5	
	Aviva Pension MyM BlackRock Emerging Markets Equity Index	12.5	
	Aviva Pension MyM BlackRock World Minimum Volatility Equity	15.0	
Diversified Growth Fund (L) Aviva Pensions MyM Diversified Growth Strategy)	Aviva Pension MyM BlackRock DC Diversified Growth	33.3	0.73
	Aviva Pension MyM Insight Broad Opportunities	33.3	
	Aviva Pension MyM Legal & General Diversified Fund	33.3	
Annuity-targeting Pre-Retirement Fund (L)	Aviva Pension MyM LGIM Future World Annuity Aware Fund	100.0	0.29
Income drawdown-targeting Pre-Retirement Fund (L)	Aviva Pension MyM LGIM Retirement Income Multi-Asset Fund	100.0	0.52
Cash / money markets (L)	Aviva Pension MyM BlackRock Institutional Sterling Liquidity	100.0	0.22
Corporate bonds	Aviva Pension MyM BlackRock Over 15 Year Corporate Bond Index (Aquila C)	100.0	0.24
Government Bonds (Fixed Interest)	Aviva Pension MyM BlackRock Over 15 Year Gilt Index (Aquila C)	100.0	0.23
Government Bonds (Inflation Linked)	Aviva Pension MyM BlackRock Over 5 Year Index-Linked Gilt Index (Aquila C)	100.0	0.22
Ethical equities	Aviva Pension MyM LGIM Ethical Global Equity Index	100.0	0.37
Sharia-Compliant equities	Aviva Pension MyM HSBC Islamic Global Equity Index	100.0	0.52
Lifestyle strategy	Lifetime Targeting Annuity *	100.0	0.53
Lifestyle strategy	Lifetime Targeting Income Drawdown *	100.0	0.53
Lifestyle strategy	Lifetime Targeting Cash *	100.0	0.53

(L) These funds are component funds of the lifestyle strategies
* Maximum TER