Ernst & Young Retirement Benefits Plan

Statement of Investment Principles - Effective September 2024

1 Introduction

The Trustee of the Ernst & Young Retirement Benefits Plan (the “Plan”) has drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of the Pensions Act 1995 and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended).

The Statement is intended to affirm the investment principles that govern decisions about the Plan’s investments. The Trustee’s investment responsibilities are governed by the Plan’s Trust Deed and Rules, of which this statement takes full regard,

In preparing this Statement the Trustee has consulted a suitably qualified person by obtaining written advice from Mercer Limited (“Mercer”). In addition, consultation has been undertaken with Ernst & Young LLP (the “Firm”) to ascertain whether there are any material issues of which the Trustee should be aware in agreeing the Plan’s investment arrangements and, in particular, on the Trustee’s objectives. In making investment decisions, we have regard to the independence restrictions to which the Firm is subject with respect to having financial interests in audit and other clients.

Before making any amendments to this Statement, the Trustee consults the Firm and considers written professional advice from Mercer, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee’s opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

2 Process For Choosing Investments

The Trustee has appointed Mercer to act as discretionary investment manager. For the period of December 2013 to May 2022, this was by way of Mercer’s Dynamic De-Risking Solution, to implement the Trustee’s strategy whereby the level of investment risk reduces as the Plan’s funding level improves. Following the completion of the automated de-risking trigger framework, the Trustee paused with the investment strategy at the low-risk position pending the 1 October 2022 Actuarial Valuation and projects to be completed prior to agreeing the long-term objective with the Firm.

In this capacity, and subject to agreed restrictions that include audit independence, the Plan’s assets are predominantly invested in multi-client collective investment schemes (“Mercer Funds”) managed by a management company (Mercer Global Investments Management Limited (“MGIM”)). MGIM has appointed Mercer Global Investments Europe Limited (“MGIE”)) as investment manager of the Mercer Funds. In practice, MGIE delegates the discretionary investment management for the Mercer Funds to third party investment managers based in countries such as Ireland, UK and USA and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund. Mercer has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Plan’s assets on a day to day basis.

The Trustee has also taken advice from Mercer, leveraging the expertise noted above, to appoint and monitor the asset managers of the External Holdings where Mercer Funds are not suitable given the Firm’s independence restrictions.

3 Investment Objectives

The Trustee understands that taking some investment risk, with the support of the Firm, is necessary to improve the Plan's current and ongoing solvency funding positions through the outperformance of the liabilities over the long term.

The Trustee's primary objective is to act in the best interests of its members and best endeavours to ensure that the obligations to the beneficiaries of the Plan can be met. To guide them in their strategic management of the assets and the control of the various risks to which the Plan is exposed, the Trustee has adopted the following additional objectives:

- To be fully funded on a "self-sufficiency" basis defined as gilts +0.5% p.a. by 2029.
- To pay due regard to the Firm's interests in the size and incidence of the Firm's contribution payments.
- To operate within the independence considerations required by the Firm.

The Trustee recognises this ultimately means investing in a portfolio of gilt-based and corporate bond funds but believes that at the current time some investment in equities and other growth assets ("Growth Portfolio") is justified to target enhanced return expectations and thereby target funding level improvements. The Trustee recognises that this introduces investment risk and these risks are discussed in Section 4.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee determines to be financially material considerations. Non-financial considerations are discussed in Section 9.

4 Risk Management and Measurement

There are various risks to which any pension plan is exposed. The Trustee maintains a risk register to ensure that potential and actual risks are monitored over time. In addition, the Trustee's policy on risk management over the Plan's anticipated lifetime is as follows:

- The primary risk upon which the Trustee focuses is that arising through a mismatch between the Plan's assets and its liabilities and the Firm's ability to support this mismatch risk.
- The Trustee recognises that, whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Plan's accruing liabilities as well as producing more volatility in the Plan's funding position.
- To control the risk outlined above, the Trustee, having taken advice, set the split between the Plan's Growth and Matching Portfolio such that the expected return on the overall portfolio is sufficient to meet the objectives outlined in section 3.
- The Trustee recognises that even if the Plan's assets are invested in the Matching Portfolio there may still be a mismatch between the interest-rate and inflation sensitivity of the Plan's assets and the Plan's liabilities due to the mismatch in duration between assets in the Matching Portfolio and actuarial liabilities.

- The Trustee invests in leveraged liability driven investment ("LDI") funds to maintain a high level of liability hedging without impacting on expected return. However, the Trustee recognises that the use of leveraged LDI brings with it additional liquidity risks and requirements which can change over short periods of time with nominal and real gilt yield (i.e. interest rate and inflation) changes. The Trustee, under advice of the Investment Consultant, review the Matching Portfolio as part of the regular reporting and strategy reviews, including consideration of the market stress buffer and broader governance.

- The Trustee recognises the risks that may arise from the lack of diversification of investments. To control this risk the Trustee has delegated the asset allocation decisions within the Growth and Matching Portfolios to Mercer (subject to certain restrictions). Mercer aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. Mercer provides the Trustee with regular monitoring reports regarding the level of diversification within the Trustee's portfolio.

- To help diversify manager specific risk, within the context of each of the Growth and Matching Portfolios, the Trustee expects that the Plan's assets are managed by appropriate underlying asset managers.

- To help the Trustee ensure the continuing suitability of the current investments, Mercer provides the Trustee with regular reports regarding the performance of the underlying asset managers appointed within the relevant Mercer Funds and the asset managers of the External Holdings to enable the monitoring of differences between the expected and experienced levels of risk and return.

- There is a risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustee. The Trustee recognises that the use of active investment managers involves such a risk. However, for specific asset classes it believes that this risk is outweighed by the potential gains from successful active management. Likewise, passive management will be used for one of a number of reasons, namely to diversify and reduce risk and when investing in certain asset classes where, due to the relatively efficient markets, the scope for achieving added value is more limited.

- By investing in the Mercer Funds and External Holdings, the Trustee does not make investments in securities that are not traded on regulated markets. However, should the Plan's assets be invested in such securities, in recognition of the associated risks (in particular liquidity and counterparty exposure) such investments would normally only be made with the purpose of reducing the Plan's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event, the Trustee would ensure that the assets of the Plan are predominantly invested on regulated markets.

- The Trustee recognises the risks inherent in holding illiquid assets, and in particular the independence considerations required by the Firm. The Trustee has carefully considered the Plan's liquidity requirements and time horizon when setting the investment strategy and liquidity risk is managed by ensuring illiquid asset classes represent an appropriate proportion of the overall investment strategy.

- The Plan is subject to currency risk because some of the investment vehicles in which the Plan invests are denominated or priced in a foreign currency. Within the context of the Mercer Funds used in the Growth and Matching Portfolios, to limit currency risk, a target non-sterling currency exposure is set and the level of non-sterling exposure is managed using currency hedging derivatives such as forwards and swaps.

- The Trustee recognises that environmental, social and corporate governance concerns, including climate change, have a financially material impact on return. Section 9 sets out how these risks are managed.

Should there be a material change in the Plan's circumstances, the Trustee will advise Mercer who will review whether and to what extent the investment arrangements should be altered and in particular whether the current de-risking strategy remains appropriate.

5 Investment Strategy

The Trustee, with advice from the Investment Consultant and Scheme Actuary, reviews the Plan's investment strategy approximately annually. These reviews consider the Trustee's investment objectives, their ability and willingness to take risk (the "risk budget") and how this risk budget should be allocated and implemented (including de-risking strategies).

The Trustee has successfully implemented a long-term solution to 'de-risk' the Plan's assets relative to its liabilities over time using a dynamic trigger based de-risking framework. Now that the Plan is in a low-risk strategy, the Trustee aims to:

- hold sufficient assets in the Growth Portfolio to target full funding on a gilts +0.5% p.a. basis by 2029;

- reduce the volatility in the deficit by reducing unhedged liability exposures; and

- match a high proportion of the Plan's expected liability cashflows, as calculated based on the Plan's Technical Provisions assumptions.

The investment strategy will be reviewed on approximately an annual basis to ensure that it remains appropriate and is amended if required.

The details of the portfolios used for the Plan are set out in the SIA. The management of the portfolios is delegated to Mercer, within the pre-defined restrictions. The Matching Portfolio is used to achieve the prevailing target liability hedge ratio set by the Trustee.

Responsibility for monitoring the Plan's asset allocation, and undertaking any rebalancing activity, is delegated to Mercer. Mercer reports quarterly to the Trustee on its management of the portfolio and rebalancing activities.

6 Realisation of Investments

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

In addition, there are a small number of other asset managers appointed by the Trustee responsible for External Holdings. The reasons for these mandates being held outside of Mercer's delegated authority is because of the Firm's independence restrictions. In particular, the Mercer portfolio in the specific asset class is not suitable given the independence restrictions, hence the need to hold them externally in order to still access to the desirable characteristics of the particular asset class, as advised by Mercer. Mercer advises on the ongoing suitability of these External Holdings.

7 Cash flow and cash flow management

Cash flows, whether positive or negative, are taken into account by Mercer when it rebalances the Plan's assets in line with the Plan's strategic allocation.

8 Rebalancing

Responsibility for monitoring the Plan's asset allocation and any rebalancing activity is undertaken by Mercer. Mercer reviews the balance between the Growth and Matching Portfolios on an ongoing basis. If at any time the balance between the Growth and Matching Portfolio is deemed to be outside an agreed tolerance range Mercer will seek to rebalance these allocations back towards the target allocations. Although Mercer has discretion to vary the tolerance range, it is the intention that the Growth Portfolio allocation will not drift by more than 5%, in absolute terms, away from the relevant target allocation.

The ranges have been designed to ensure that unnecessary transaction costs are not incurred by frequent rebalancing. External Holdings will not automatically be part of such rebalancing since they are not fully under Mercer's discretion as they require Trustee action to implement.

Rebalancing takes place in accordance with the provisions of the discretionary investment management agreement entered into between the Trustee and Mercer, and unless specifically agreed, any assets outside of the Growth and Matching Portfolios will not be part of such rebalancing.

9 Corporate Governance and Socially Responsible Investment ESG, Stewardship, and Climate Change

The Trustee believes that good stewardship and the incorporation of environmental, social, and corporate governance (ESG) factors into its investment decision-making processes can have a material impact on the financial and non-financial performance of the Plan's assets over the medium and long-term. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

As noted above, the Trustee has appointed Mercer to act as discretionary investment manager in respect of the majority of the Plan's assets and such assets are in a range of

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

Asset managers appointed to manage the Mercer Funds are provided full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments. The asset managers are expected to act in accordance with their own corporate governance policies and current best practice, including the UK Stewardship Code and public disclosure of compliance via an external website. While sub-investment managers exercise voting rights and undertake engagement (collaborative or otherwise) in accordance with their own corporate governance policies, Mercer and MGIE expects sub-investment managers to provide reporting on their stewardship activities, and will monitor and report on such, at least annually.

The Trustee has also considered the Firm's responsible investment policy, and note they are ahead of the curve with a net-zero 2025 target. Mercer's commitment is to a target of net-zero absolute carbon emissions by 2050 for UK, European and Asian clients with discretionary portfolios and the majority of its multi-client, multi asset funds domiciled in Ireland.

The Trustee considers how ESG, climate change and stewardship practices are integrated within Mercer's, and MGIE's, investment processes and those of the appointed underlying asset managers. In particular, the Trustee reviews the following reporting from Mercer, and MGIE, on a regular basis:

- The Mercer Sustainability Policy. In March 2021 the policy was updated in relation to sustainability–related disclosures in the financial services sector ("SFDR") implementation. In August 2022 the policy update reflected enhancements to the approach to climate change modelling and transition modelling, additional detail on how the policy is implemented, monitored and governed and, as part of the commitment to promote diversity, finalising MGIE's signatory status to the UK chapter of the 30% Club.
- Stewardship monitoring reporting which assesses each underlying equity manager's record of executing and disclosing voting activity, and the extent to which they are engaging with the underlying companies in which they invest. These details are included in the Engagement Implementation Policy Statement as part of the annual report and accounts and is made publicly available.
- ESG ratings of all investment managers versus the asset class universe ESG ratings. In addition, ESG ratings are disclosed in the quarterly performance report, which is reviewed by the Trustee. ESG ratings are assigned by Mercer (and its affiliates') global manager research team.
- Carbon footprint analysis of the carbon intensity of Mercer equity portfolios relative to appropriate benchmarks and considers the impact of differing climate change models on portfolio performance. Analysis is also provided for other relevant asset classes where data is available. In addition, Mercer's Climate Change Management report highlights the approach to the Task Force on Climate-related Financial Disclosures

(“TCFD”) framework in more detail, including example analysis on strategy and targets and metrics.

- Climate scenario modelling and climate transition analysis on the Mercer multi sector Funds used by the Plan within the Growth Portfolio.

- A detailed standalone sustainability monitoring report is produced for the Sustainable Global Equity active fund on an annual basis and is reviewed by the Trustee. The approach considers revenues that positively and negatively contribute to environmental and social outcomes (also mapped to the SDGs).

The Trustee has given the appointed asset managers of the External Holdings full discretion when undertaking engagement activities in accordance with their own corporate governance policies and current best practice, including the UK Stewardship Code. The Trustee will review the investment managers’ policies and engagement activities (where applicable) on an annual basis.

The Trustee recognises the conflict of interests which may arise in the context of responsible investment. Mercer and MGIE make delegated investment decisions with the aim of improving long-term risk adjusted returns and assesses whether selected sub-investment managers have policies and procedures that manage conflicts of interest in relation to stewardship. Sub-investment managers and the managers of External Holdings are required to report on any conflicts of interest and demonstrate that they have adhered to their conflicts of interest policies and reported any breaches.

Investment Restrictions

The Trustee has not set any investment exclusions over and above those of the appointed in relation to particular Mercer Funds or External Holdings. The Trustee has reviewed, and is comfortable with, MGIE’s exclusion framework for all equity and fixed income funds. MGIE has given their underlying asset managers investment restrictions in relation to particular produces or activities, which the Trustee will review from time to time.

Member views

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

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

When engaging Mercer as discretionary investment manager to implement the Trustee’s investment strategy outlined in section 5, the Trustee is concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Plan, in particular, long-term liabilities.

As Mercer manages the majority of the Plan’s assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, the Trustee accepts that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds but the Trustee expects Mercer to manage the assets in a manner that is consistent with the Trustee's overall investment strategy as outlined in section 5. The Trustee has taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.

Should the Trustee consider that Mercer, MGIE or the asset managers of External Holdings have failed to align their investment strategies and decisions with the Trustee's policies, the Trustee will notify Mercer and may consider disinvesting some or all of the assets managed by Mercer or the asset managers of the External Holdings and/or seek to renegotiate commercial terms or to terminate appointments.

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

Neither Mercer nor MGIE make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, the responsibility for making portfolio selection decisions based on assessments of the medium to long-term financial and nonfinancial performance of an issuer are made by the underlying asset managers appointed by MGIE to manage assets within the Mercer Funds and the asset managers of the External Holdings. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustee is, however, able to consider Mercer's and MGIE's assessment of how each underlying third party asset manager embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustee's own responsible investment policy. This includes the asset managers' policies on voting and engagement activities.

Section 9 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Funds' investment objectives or the objectives/policies of the Plan.

The asset managers are incentivised as they will be aware that their continued appointment by MGIE will be based on their success in meeting MGIE's expectations. If MGIE is dissatisfied then it will, where appropriate, seek to replace the manager. Similarly, if Mercer is dissatisfied with the asset managers of the External Holdings then it will, where appropriate, advise the Trustee to replace the manager.

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

The Trustee monitors, and evaluates, the fees it pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives as outlined in section 5. Mercer's, and MGIE's, fees are based on a percentage of the value of the Plan's assets under management which covers the design and annual review of the de-risking strategy, and investment management of the assets. In addition, the underlying asset managers of the Mercer Funds, and the asset managers of the External Holdings, also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

MGIE reviews the fees payable to underlying asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Plan. Mercer's, MGIE's, and the underlying asset managers' fees are outlined in a quarterly investment strategy report prepared for the Trustee, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee. Details of the asset managers of the External Holdings' fees are provided in the SIA.

Details of all costs and expenses are included in the Mercer Fund's Supplements, the Report & Accounts and within the Plan's annualised, MiFID II compliant Personalised Cost & Charges statement. The Plan's Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Mercer Funds. It may also include details of the transaction costs associated with investment in the External Holdings, or a separate statement will be provided outlining these.

The Trustee does not have an explicit targeted portfolio turnover range, given the de-risking mandate, but rebalancing ranges have been designed to avoid unnecessary transaction costs being incurred by unduly frequent rebalancing. Performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying asset managers undertaken by MGIE to ensure consistency with their approaches.

There are no duration limits to the Trustee's arrangements with Mercer, MGIE or the asset managers of the External Holdings, and MGIE does not put in place duration limits for the underlying asset managers it appoints to manage the assets of the Mercer Funds. The Trustee will continue to retain Mercer and the asset managers of the External Holdings as long as it believes it is in the best interests of the Plan and expects MGIE to adopt the same approach when managing the Mercer Funds.

11 Additional Assets

Under the terms of the Scheme's Trust Deed, the Trustee is responsible for the investment of any Additional Voluntary Contributions ("AVC") paid by members. Currently, the Plan has AVCs with Legal & General Investment Management and AVCs in the form of With-Profits with Standard life, Prudential and Clerical Medical.

The Trustees review the investment performance of the chosen providers as appropriate and take advice as to the providers' continued suitability.

12 Review of this Statement

The Trustee 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 Trustee 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.

Agreed for and on behalf of E&Y Trustees Limited as Trustee to the Ernst & Young Retirement Benefits Plan

Signed:	Signed:
Name:	Name:
Date:	Date: