

Ernst & Young Retirement Benefits Plan: Defined Contribution Section

Statement of Investment Principles - Effective January 2022

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 as amended by the Pensions Act 2004 and subsequent legislation.

The Plan is divided into two main parts; Defined Benefit section and Defined Contribution section. This Statement covers the Defined Contribution section. A separate Statement covers the Defined Benefit section.

The Statement is intended to affirm the investment principles that govern decisions about the Plan’s DC investments. The Trustee’s investment responsibilities are governed by the Plan’s Trust Deed and Rules, a copy of the relevant clause of which this Statement takes full regard, is available for inspection on request from the Pensions Manager, Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

In preparing this Statement the Trustee has obtained written investment 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 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. Defined Contribution Section

The Defined Contribution section consists of the Pension Plan Sections (the 1997 and 2003 sections, introduced on 1 April 1997 and 1 October 2003, respectively).

Overall investment policy falls into two parts. The strategic management of members’ assets is fundamentally the responsibility of the Trustee and is driven by their investment objectives as set out in Section 3 below. The Trustee has appointed Mercer and their Fiduciary Management (FM) business, which is a manager-of-managers’ business, to select fund managers and manage portfolios on behalf of Plan. Mercer FM (“the Delegated Investment Manager”), is responsible for hiring and firing managers and monitoring the assets within each fund, and will provide regular information to the Trustee on such changes and the ongoing suitability of the underlying funds.

The Trustee believes that this approach offers an investment strategy to members that reflects best practice in an efficient and cost effective manner and provides governance oversight for the Trustee. Decisions on appointment and retention of investment managers are taken by the Delegated Investment Manager.

The Trustee's policy is to offer a range of pooled investment vehicles providing different investment risk and reward profiles to meet a range of different objectives for the different members of the Plan with regards to:

- Differing ages
- Members' attitude to risk
- Differing expectations as to time of retirement, and
- The options available to members as to the way in which their benefits from their investments are to be taken

The Trustee maintains a Statement of Investment Arrangements ("SIA") which contains more detail on the Plan's investment arrangements.

3. Investment Objectives and Risk Management

3.1 Investment Objectives

The Trustee's main aim is to ensure that we can meet our obligations to the members of the Defined Contribution Section.

The Trustee believes that members have differing investment needs and that these may change during the course of members' working lives. The Trustee also recognises that members have different attitudes to risk. The Trustee's objective is to make available a range of lifestyle strategies and self-select investment options which offer sufficient flexibility for members to access funds and facilities which reflect their own circumstances and intentions at retirement (e.g. whether or not an individual wish to purchase an annuity or enter drawdown) with the aim to ensure security, quality, liquidity and profitability of a member portfolio as a whole.

In addition, the Trustee has determined that members of the Pension Plan sections should have the opportunity to achieve a balanced investment portfolio following similar principles to those adopted within the Final Salary Section. In particular, the Trustee believes:

- Members should be able to invest the different components of their overall fund i.e. Reference Scheme Test ("RST") Fund, Non-RST Fund and Additional Voluntary Contributions ("AVCs") differently.
- Members should have access to a range of growth asset types and strategies, without undue reliance on equities for growth.
- Active management can, if suitable governance and investment arrangements are in place and professional advice is available to the Trustee, enhance the returns members receive.

- Members should be encouraged to seek suitable financial advice from an appropriate person in determining the most suitable option.
- If members self-select they can combine the investment funds in any proportion to determine the balance between different kinds of investments. The Trustee makes available a range that includes equities, bonds, multi asset, a shariah compliant fund and money market. This will also determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerances. Each of the available funds is considered to be diversified across an appropriate number of underlying holdings / issuers.
- The Trustee expects the long-term return on the investment options that invest predominantly in equities to exceed price inflation and general salary growth.
- The long-term returns on multi-asset funds are expected to be reasonably close to those on equities. However, multi-asset funds are expected to experience lower volatility due to their exposure to a diversified range of investments.
- The long-term returns on the bond and cash options are expected to be lower than those options that are either predominantly or entirely exposed to growth investments (equity or multi-asset options for example). However, bond funds, which are expected to experience lower volatility relative to annuity prices than growth investments, should help reduce the potential mismatch in relation to the price of annuities (assuming a member opts to access their DC savings via annuity purchase). The Trustee appreciates that bonds cannot provide a complete hedge against factors that contribute to the movement in annuity prices.
- Money market is expected to provide protection against changes in short-term capital values, and may be appropriate for members receiving part of their retirement benefits in the form of tax-free cash.

3.2 Risk

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

Risk	How it is managed	How it is measured
<p>Inflation Risk</p> <p>The real value (i.e. post inflation) value of members' accounts decreases.</p>	<p>Members are provided with a range of funds, across various asset classes. The majority of funds are expected to keep pace with inflation (with the exception of the money market and fixed interest bond funds).</p> <p>Members are able to set their own investment allocations, in line with their risk tolerances.</p>	<p>Considering the real returns (i.e. return above inflation) of the funds. Funds with positive values indicate returns that have kept pace with inflation.</p>

Risk	How it is managed	How it is measured
<p>Benefit Conversion Risk</p> <p>Member's investments do not match how they would like to use their savings in retirement.</p>	<p>Three lifestyle strategies, targeting regular income, flexible income and cash at retirement are available to members.</p> <p>The lifestyle strategies automatically switch member assets as they approach retirement into investments that are expected to be less volatile relative to how they wish to access their savings. This lifestyling increases the proportion of assets that more closely match the chosen destination as members' approach retirement. This aims to reduce risk of a substantial fall in the purchasing power of their accumulated savings near retirement.</p>	<p>Considering the returns of the funds used within the switching phase of the lifestyle strategy both in absolute terms as well as relative to inflation, cash or annuity prices (depending on their selected retirement destination).</p>
<p>Market Risk</p> <p>The value of securities, including equities and interest bearing assets, can go down as well as up.</p>	<p>Members are provided with a range of funds, across various asset classes. Members are able to set their own investment strategy in line with their risk tolerances.</p>	<p>Quarterly performance monitoring of the investment funds.</p>
<p>Counterparty Risk</p> <p>A counterparty, either an underlying holding or pooled arrangement, cannot meet its obligation.</p>	<p>Management of funds are delegated to Delegated Investment Manager and underlying investment managers.</p> <p>Members are able to set their own investment allocations, in line with their risk tolerances.</p>	<p>Quarterly performance monitoring of the investment funds.</p> <p>Security of assets review.</p>

Risk	How it is managed	How it is measured
<p>Currency Risk</p> <p>The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.</p>	<p>The Trustee provides diversified investment options that invest in local as well as overseas markets and currencies.</p> <p>Management of funds are delegated to Delegated Investment Manager and underlying investment managers.</p> <p>Members are able to set their own investment allocations, in line with their risk tolerances.</p>	<p>Quarterly performance monitoring of the investment funds.</p> <p>Considering the movements in foreign currencies relative to pound sterling.</p>
<p>Operational Risk of Funds</p> <p>A lack of robust internal process, people and systems.</p>	<p>Outsourced to the investment consultant and investment manager.</p> <p>Members are able to set their own investment allocations, in line with their risk tolerances.</p>	<p>Considering the ratings of investment strategies from their investment consultant and Delegated Investment Manager and monitoring these on a regular basis.</p>
<p>Valuation Risk</p> <p>The value of an illiquid asset is based on a valuer's opinion. The realised value upon sale may differ from this valuation.</p>	<p>The management of valuation risk is delegated to the Delegated Investment Manager and underlying investment managers.</p> <p>The investment options invest solely in liquid quoted assets.</p>	<p>Quarterly performance monitoring of the investment funds and where relevant delegates the monitoring of valuation risk to the Delegated Investment Manager.</p>
<p>Liquidity Risk</p> <p>Assets may not be readily marketable/realisable when required.</p>	<p>The Trustee access daily dealt and daily priced pooled funds.</p>	<p>The pricing and dealing terms of the funds.</p>

Risk	How it is managed	How it is measured
<p>Manager Skill / Alpha Risk</p> <p>Returns from active investment management may not meet expectations, leading to lower than expected returns to members.</p>	<p>The Trustee makes available a number of actively managed funds where they deem appropriate for example equity and multi-asset funds.</p> <p>The day to day management of the majority of the active funds, including asset allocation and manager selection decisions, have been delegated to the Delegated Investment Manager, who in turn places responsibility for the investment of the Group's assets in Mercer funds with a range of underlying specialist external investment managers. The Delegated Investment Manager invests exclusively in Mercer highly rated funds, those that Mercer believes have above average chance, over time, of meeting their objectives and outperforming their benchmarks.</p>	<p>The Trustee monitors performance and rating of funds on a quarterly basis relative to the fund's benchmark and stated targets/objective.</p>
<p>Environmental, Social and Governance Risk</p> <p>ESG factors can have a significant effect on the performance of the investments held by the Plan e.g. extreme weather events, poor governance.</p>	<p>Delegated to the Delegated Investment Manager and underlying investment managers. The Trustee policy on ESG risks is set out in section 9 of this statement.</p>	<p>The Trustee reviews the Delegated Investment Manager's policies and actions in relation to this on an annual basis.</p>

The risks identified in the table above are considered by the Trustee to be 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and their selected retirement age. It is for this reason that three lifestyle strategies are available to members.

4. **Investment Strategy**

The Trustee recognises that the risks identified in 3.2 and the objectives in 3.1 are best met by offering members a range of investment vehicles from which to choose.

The Trustee periodically reviews the suitability of the options provided and the appointed Delegated Investment Manager. The Delegated Investment Manager has been set specific performance targets, which are summarised in the SIA.

The Trustee uses an investment platform via an insurance policy issued by Scottish Widows to make available to members a range of funds offered by investment managers who are regulated by the Financial Conduct Authority.

In keeping with its policy on managing risk and seeking diversification, the Trustee wishes to avoid members' excessive exposure to equities and reliance on them for investment growth. The Trustee has established three lifestyle strategies to assist members with a solution that is right for their specific needs (risk tolerance and how they expect to take benefits in retirement). Two of the lifestyle strategies are default strategies. Lifestyle strategies are intended to limit over-reliance on any one type of asset type or investment manager and de-risk the member as they approach retirement.

Details of the underlying investments are in the SIA.

5. **Default Investment Option**

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

Having taken written professional advice from a suitably qualified person from Mercer, the Trustee set the default investment option for RST Funds (composed of all member and EY's non-voluntary contributions including Member basic PensionShare and EY's basic PensionShare contributions) to be the Regular Income Lifestyle strategy whereas the default investment option for Non-RST Funds and AVCs (composed of all other contributions including matching contributions (member's and EY's), member's PensionSharePlus contributions) to be the Flexible Income Lifestyle strategy.

More than eight calendar years from expected retirement date, members' contributions (RST Funds, Non-RST Funds and AVCs) are invested in the Growth Fund.

Eight calendar years before a member's target retirement date (or Normal Retirement Date if no target has been specified), member assets will be transferred as follows:

- The RST Fund will be transferred into an Annuity Retirement Fund based on the year in which the members' expected date of retirement falls. The Target Annuity Funds would gradually move investments from growth-seeking assets to investments more suitable for targeting tax-free cash and using the remainder to purchase an annuity/ regular fixed income at retirement.
- The Non - RST Funds and AVCs will be transferred into a Drawdown Retirement Fund based on the year in which the members' expected date of retirement falls. The Target Drawdown Funds would gradually move investments from growth-

seeking assets to investments more suitable for targeting tax-free cash and accessing the remaining retirement savings via income drawdown.

Objectives of the default option

The Trustee objectives in relation to the default options, and ways in which it seeks to achieve these, are detailed below:

- To generate returns in excess of inflation during the 'growth' phase
The Growth Fund is expected to provide long term growth in excess of inflation. The growth fund invests in a diversified range of asset classes including equities, fixed income, infrastructure and real estate investment trust and therefore is expected to be less volatile compared to a pure equity market portfolio.
- To provide an option that reduces investment risk for members as they approach retirement
As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a default investment option that seeks to reduce investment risk by switching investments from the growth fund as the member approaches retirement is appropriate. This is known as the de-risking phase.
- To offer to members a mix of assets at retirement that are broadly appropriate for using the RST Funds to purchase an annuity and a suitable asset allocation to drawdown an income from the Non-RST Fund and AVCs through retirement.
The balance of investments at retirement should be appropriate for how the Trustee believes a typical member will take their RST, Non-RST and AVC benefits in retirement. This does not mean that members have to take their benefits in this format at retirement - it merely determines the default investment option that will be in place pre-retirement. Members who intend to take their retirement benefits through other formats have the option of switching to an alternative retirement investment strategy prior to retirement or even choosing their own investment strategy.

Policies in relation to the default option

The Regular Income (default for RST Funds) and Flexible Income (default for Non-RST Funds and AVCs) strategies adopt a "lifestyle approach" to manage risk throughout a member's lifetime in the Plan. The reduction of investment risk in the run up to retirement is expected to reduce the chance of market shocks producing unfavourable outcomes for members at retirement.

All funds within the default investment options are daily-dealt pooled investment arrangements, with assets mainly invested on regulated markets. Both active and passive management funds are used within the default investment option, depending on asset class.

A range of asset classes are included within the default investment options, including: developed market equities, emerging market equities, small capitalisation equities, low volatility equities, real estate, money market investments, gilts, index-linked gilts, corporate bonds, multi asset and pre-retirement funds.

In designing the default lifestyle strategy, the Trustee has explicitly considered the trade-off between risk and expected returns. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members. In particular, when reviewing the investment strategy of the default investment options, the Trustee consider risk quantitatively in terms of the variability of investment returns and potential retirement outcomes for members.

Assets in the default lifestyle strategy are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.

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

Risk	How it is managed	How it is measured
<p>Inflation Risk</p> <p>The real value (i.e. post inflation) value of members' accounts decreases.</p>	<p>During the growth phase of the default investment option the Trustee invest in a diversified range of assets which are likely to grow in real terms.</p> <p>The default investment option invests in a diversified range of assets which are considered likely to grow in excess of inflation.</p>	<p>Considering the real returns (i.e. return above inflation) of the funds. Funds with positive values indicate returns that have kept pace with inflation.</p>
<p>Benefit Conversion Risk</p> <p>Member's investments do not match how they would like to use their savings in retirement.</p>	<p>The default investment options are lifestyle strategies (an investment programme which automatically manages a member's investments over their lifetime) which targets regular income (for the RST Fund) and flexible income (for the Non – RST Fund) as a retirement destination.</p> <p>The Trustee believes that a strategy targeting annuity purchase/ regular fixed income is a good match to annuity prices. Similarly, the Trustee believes that a strategy targeting drawdown (flexible income) minimises the overall pension conversion risk for the relevant members accessing pots in a different manner (regular income or drawdown).</p>	<p>Considering the returns of the funds used within the switching phase of the lifestyle strategies both in absolute terms as well as relative to inflation (the retirement destination).</p> <p>As part of the triennial default strategy review, the Trustee ensures the default destinations remains appropriate.</p>
<p>Market Risk</p> <p>The value of securities, including equities and interest bearing assets, can</p>	<p>The default investment strategies are set with the intention of diversifying risk to reach a level deemed appropriate for the relevant members by the Trustee.</p>	<p>Monitoring the performance of the default investment strategies on a quarterly basis.</p>

Risk	How it is managed	How it is measured
go down as well as up.		
<p>Counterparty Risk</p> <p>A counterparty, either an underlying holding or pooled arrangement, cannot meet its obligation.</p>	<p>Management of Funds is delegated to Delegated Investment Manager and underlying investment managers.</p> <p>The default arrangements are set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.</p>	<p>Monitoring the performance of investment funds on a quarterly basis.</p>
<p>Currency Risk</p> <p>The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.</p>	<p>Currency risk management is delegated to the Delegated Investment Manager and underlying investment managers.</p> <p>The default arrangements are set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee and currency management within the funds is managed at the overall fund level to achieve a balanced profile.</p>	<p>Monitors the performance of external investment funds on a quarterly basis.</p> <p>Considers the movements in foreign currencies relative to pound sterling.</p>
<p>Operational Risk of Funds</p> <p>A lack of robust internal processes, people and systems.</p>	<p>Outsourced to the Delegated Investment Manager with regards to Mercer funds.</p> <p>The default arrangement is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.</p>	<p>Consider the ratings of investment strategies from their investment consultant and Delegated Investment Manager and monitoring these on a quarterly basis.</p>
<p>Liquidity Risk</p> <p>Assets may not be readily marketable when required.</p>	<p>The Trustee accesses daily dealt and daily priced pooled funds through a unit-linked insurance contract from Scottish Widows.</p>	<p>The pricing and dealing terms of the funds underlying the unit-linked insurance contract.</p>
<p>Valuation Risk</p> <p>The value of an illiquid asset is based on a valuer's opinion, realised value upon sale may differ from this valuation.</p>	<p>The management of valuation risk is delegated to the Delegated Investment Manager and underlying investment managers</p> <p>The majority of underlying holdings within the default arrangement are invested in liquid quoted assets.</p>	<p>The Trustee monitors performance of funds on a quarterly basis, and where relevant delegates the monitoring of valuation risk to the Delegated Investment Manager.</p>

Risk	How it is managed	How it is measured
<p>Environmental, Social and Governance Risk</p> <p>ESG factors can have a significant effect on the performance of the investments held by the Plan e.g. extreme weather events, poor governance.</p>	<p>Delegated to Delegated Investment Manager and underlying investment managers.</p> <p>The Trustee policy on ESG risks is set out in section 9 of this Statement.</p>	<p>The Trustee reviews the Delegated Investment Manager's policies and actions in relation to this on an annual basis.</p>

The risks identified in the above table are considered by the Trustee to be 'financially material considerations'. The Trustee believes that the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and their selected retirement age. It is partly for this reason that three lifestyle options are made available to members including the two default investment options.

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

Suitability of the default option

Based on their understanding of the Plan's membership, the Trustee believes that the above objectives and policies reflect members' best interests. The rationale underpinning this belief is as follows:

- Since the DC sections of the Plan were contracted out of the State Second Pension ("S2P"), the Trustee is required to pay members a guaranteed minimum level of annual pension known as a Reference Scheme Test (RST) underpin. Because of this minimum benefit requirement, the RST Fund savings can only be used to provide members of the Pension Plan 1997 section with an annuity or guaranteed income for the rest of their lives. For members of the Pension Plan 2003 section, all or part of the RST fund may be used towards tax free cash lump sum and any remaining balance must be used to purchase an annuity or guaranteed income for life.
- The Trustee also believes that members will utilise the flexibility available to them at retirement with the Non-RST Funds and AVC Funds and therefore to target a flexible income is aligned to this belief.
- In addition, the Trustee believes that default strategies that maintain a well-diversified investment portfolio in the run up to retirement provides the best compromise against potential risks and ensures individuals are well equipped to navigate their options at retirement.

- Experience shows that most members withdraw tax-free cash at retirement. The default investment options have a 25% allocation to cash at retirement that should allow members to take the maximum tax-free cash at retirement.
- Members seeking an adequate income in retirement will likely need to achieve real investment returns for most of their period as pension savers. The retention of some exposure to growth seeking assets throughout the accumulation phase addresses that requirement.

The Trustee will continue to review this over time, at least triennially, or after significant changes to the Plan's demographic, if sooner. Members will be supported by clear communications regarding the aims of the default investment option and the access to alternative approaches.

6. Additional Default Arrangements

In accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Trustee has identified the investment options listed in the table below as 'default arrangements' (as defined by these regulations). These have been identified as 'default arrangements' as members' contributions have or are planned to be automatically directed to these funds without members having instructed the Trustee where their contributions are to be invested; this is due to historic fund removals and is further explained in the table below. The performance of these funds are monitored on a quarterly basis, with a strategic review being carried out at least triennially.

Fund/Investment Strategy	Reason for identification as a 'default arrangement'	Date
Mercer Growth Fund	<p>As part of the transfer of DC assets into the Fiduciary Managed fund arrangements - members who did not make an active selection were mapped from the Global Assets fund.</p> <p>As part of the consolidation of AVC assets into the main Fiduciary Managed DC platform, unit linked AVC funds previously held in the following funds were mapped to this fund:</p> <ol style="list-style-type: none"> 1. Standard Life Managed and Property funds 2. Prudential Discretionary and Property funds 3. Utmost Life and Pensions Managed fund 	<p>August 2019</p> <p>July 2020</p>
Mercer Moderate Growth Fund	<p>As part of the transfer of DC assets into the Fiduciary Managed fund arrangements- members who did not make an active selection were mapped from the Maximised Diversification and Diversified funds.</p> <p>As part of the consolidation of AVC assets into the main Fiduciary Managed DC</p>	August 2019

Fund/Investment Strategy	Reason for identification as a 'default arrangement'	Date
	platform, unit linked AVC funds previously held in the Multi Asset funds with Standard Life were mapped to this fund.	July 2020
Mercer EY Passive UK Equity	As part of the consolidation of AVC assets into the main Fiduciary Managed DC platform, unit linked AVC funds previously held in the UK Equity funds with Standard Life and Prudential and the UK and UK FTSE All Share funds with Utmost Life and Pensions have been mapped into this fund.	July 2020
Mercer EY Passive Overseas Equity	As part of the consolidation of AVC assets into the main Fiduciary Managed DC platform, unit linked AVC funds previously held in global and overseas equity funds with Standard Life, Prudential and Utmost Life and Pensions have been mapped into this fund.	July 2020
Mercer EY Global Equity (Hedged)	As part of the transfer of DC assets into the Fiduciary Managed fund arrangements- members who did not make an active selection were mapped from the Passive Global Equity and Maximised Potential funds.	August 2019
Mercer EY Pre-Retirement Fund	As part of the consolidation of AVC assets into the main Fiduciary Managed DC platform, unit linked AVC funds previously held in the Mixed Bond Pension fund with Standard Life, and the UK Government Bond fund with Utmost Life and Pensions have been mapped into this fund.	July 2020
Mercer EY Passive Index-Linked	As part of the consolidation of AVC assets into the main Fiduciary Managed DC platform, unit linked AVC funds previously held in the Index Linked fund with Prudential have been mapped into this fund.	July 2020
Mercer EY Money Market Fund	As part of the consolidation of AVC assets into the main Fiduciary Managed DC platform, unit linked AVC funds previously held in the Cash fund with Clerical Medical have been mapped into this fund.	July 2020
Mercer EY Cash Lifestyle Strategy	As part of the transfer of DC assets into the Fiduciary Managed fund arrangements- members invested in the Cash Lifestyle strategy were switched to the new Cash Lifestyle strategy. The build phase for the	August 2019

Fund/Investment Strategy	Reason for identification as a 'default arrangement'	Date
	<p>new Cash Lifestyle was changed to the Growth fund.</p> <p>As part of the consolidation of AVC assets into the main Fiduciary Managed DC platform, unit linked AVC funds previously held in the Secure Cash fund with Utmost Life and Pensions have been mapped into this fund.</p>	July 2020

6.1 Fund Objectives

The objectives in respect of these 'default arrangements' is summarised in the table below. These objectives are in addition to the Overall Aims and Objectives and Investment Objectives stated for the general DC Section.

Fund/Investment Strategy	Fund Objective
Mercer Growth Fund	The fund's objective is to provide diversified exposure to a range of asset classes with a target return of FTSE GBP 1 month Euro +4%.
Mercer Moderate Growth Fund	The fund's objective is to provide diversified exposure to a range of asset classes with a target return of FTSE GBP 1 month Euro +3%.
Mercer EY Passive UK Equity	The fund invests in the shares of UK companies and aims to achieve a return that is consistent with the return of the FTSE Custom LGIM MD ASX.
Mercer EY Passive Overseas Equity	This fund invests in the shares of overseas companies and aims to achieve a return in line with the FTSE Developed (ex-UK) Index.
Mercer EY Global Equity (Hedged)	The fund aims to capture the total returns of the UK and overseas equity markets in line with the FTSE All Share Index in the UK and the FTSE All- World (ex UK) Index. A total of 75% of the overseas assets will be currency hedged to sterling (£), this will exclude assets priced in emerging market currencies.

Mercer EY Pre-Retirement Fund	The fund aims to invest in assets that reflect the investments underlying a typical non-inflation linked pension annuity product.
Mercer EY Passive Index-Linked	This fund invests in UK government index-linked securities (index-linked gilts) that have a maturity period of 5 years or longer and aims to achieve a return consistent with the LGIM Over 5 Years Index-Linked Gilts Benchmark.
Mercer EY Money Market Fund	The fund aims of to provide capital stability, liquidity and diversification while providing a competitive level of return.
Mercer EY Cash Lifestyle Strategy	The path is designed for investors planning to transfer their assets into cash at their selected retirement date.

6.2 Investment Policies

The Trustee, with advice from its Investment Consultant, considers the trade-off between risk and expected returns. The additional defaults were created due to mapping exercises completed by the Trustee. As part of any mapping exercise, the Trustee considers the appropriateness of the investment arrangements to ensure that the expected amount of risk (and commensurately the expected return) is appropriate given the age of the member and their expected retirement date.

The Trustee has considered the investment risk associated with DC pension investment. This risk can be defined as the uncertainty over the ultimate amount of savings available on retirement. A number of factors contributed to this uncertainty some of which (such as the amount of contributions paid and the length of time these contributions are invested) cannot be managed by the investment strategies made available to members. The risks pertaining to the additional default arrangements are identified in the table under section 3.2.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee considers to be financially material considerations in relation to the additional default arrangements. The Trustee believes that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on the member's age and when they expect to retire.

7. Day to Day Management of the Assets

The Trustee delegates the day to day management of the assets, including selecting managers and monitoring the assets within each fund, to Mercer. The Trustee has taken steps to satisfy itself that Mercer has the appropriate knowledge and experience for managing the Plan's investments and that they are carrying out their work competently.

The Trustee regularly reviews the continuing suitability of the Plan's investment options, including the appointed Delegated Investment Manager and the balance between active and passive management, which may be adjusted from time to time. However, any such adjustments would be done with the aim of ensuring that the risks set out in Section 3.2 are appropriately managed.

Details of the appointed managers can be found in the SIA.

8. **Realisation of Investments**

In general, the Plan's Delegated Investment Manager under the direction of the Plan's administrators, have responsibility for generating cash required for purchasing benefits.

9. **Environmental, Social, Governance ("ESG"), Stewardship and Climate Change considerations**

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 members' 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 Delegated Investment Manager in respect of the Plan's assets and such assets are in a range of Mercer Funds. 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 given 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 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 investment processes and those of the appointed underlying

asset managers. In particular, the Trustee reviews the following reporting from Mercer on a regular basis:

- The Mercer Sustainability Policy In August 2020 the Stewardship section was updated to reflect an enhanced approach to monitoring both voting and engagement as well as the Exclusions section to include the implementation of certain exclusions across passive funds from 1 October 2020. In March 2021, there was a further update in relation to sustainability-related disclosures in the financial services sector (“SFDR”) implementation.
- 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 SIP 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.
- Mercer’s Climate Change Management report highlights the approach to the TCFD framework in more detail, including example analysis on strategy and targets and metrics.
- 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 considered, and will continue to consider, including specific sustainability themed investment opportunities within its investment strategy.

The Trustees recognises the conflict of interests which may arise in the context of responsible investment. Mercer 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.

Member views

The Trustee, on a regular basis, conducts surveys to gather member views on the range and suitability of the investments. The last survey was in 2019 and following this survey, the Trustee introduced a sustainable equity fund. The Trustee also made available a shariah compliant fund to allow members to participate in the Fund who may otherwise have been unable to do so for religious reasons.

Investment Restrictions

The Trustee has not set any investment exclusions over and above those of the appointed investment managers in relation to particular products or activities. The Trustee has reviewed, and is comfortable with, the investment managers' exclusion policies and will review such policies from time to time.

10. Arrangements with Asset Managers

- 10.1 The Trustee delegates the day to day management of the assets, including selecting managers, to Mercer. These selections are made based on the managers' capabilities and, therefore the perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. Mercer's manager research rating reflects Mercer's forward-looking assessment of a manager's ability to meet or exceed their objectives. As the Trustee invests in pooled investment vehicles they accept that they have no ability to influence investment managers to align their decisions with the Trustee policies set out in this Statement. However, appropriate mandates can be selected to align with the overall investment strategy.
- 10.2 The underlying investment managers are expected to incorporate the consideration of longer term factors, such as ESG factors, into their decision making process where appropriate. The extent of this will be considered during the selection, retention and realisation of manager appointments. Voting and engagement activity should be used by investment managers to discuss the performance of an issuer of debt or equity. The Delegated Investment Manager engages with investment managers on this activity and if dissatisfied will look to replace the manager.
- 10.3 The Trustee's focus is on longer-term performance but shorter-term performance is monitored to ensure any concerns can be identified in a timely manner. The Trustee reviews both absolute and relative performance against a portfolio or underlying investment manager's benchmark on a quarterly basis, including assessments of both shorter and longer time horizons. The Trustee also relies upon Mercer's manager research capabilities. The remuneration for investment managers used by the Plan is based on assets under management; the levels of these fees are reviewed annually as part of the annual value for member assessment to ensure they continue to represent value for members.
- 10.4 Portfolio turnover costs for each of the funds are reviewed on an annual basis as part of the annual value for members assessment. The ability to assess the appropriateness of these costs is limited by the availability of data. The Trustee will monitor industry developments in how to assess these costs and incorporate this in future value for members assessments. Importantly, performance is reviewed net of portfolio turnover costs.
- 10.5 The Trustee is a long term investor, all funds are open-ended and therefore there is no set duration for manager appointments. Mercer is responsible for the selection, appointment, monitoring and removal of the underlying investment managers. The Trustee may also choose to remove a fund from the fund range, if no longer considered appropriate, and the fund range (along with the Default strategy) is reviewed on at least a triennial basis.

11. **Fees**

The underlying investment managers levy fees based on a percentage of the value of the assets under management. Further details of the fee arrangement are set out in the SIA.

Mercer, when providing advice to the Trustee, typically works on the basis of time cost, but in certain circumstances a fixed fee will be agreed. Performance measurement and investment accounting services are charged on the basis of an agreed fixed fee.

12. **Compliance with this Statement**

We, the Trustee Directors of Ernst & Young Trustees Limited, as the Trustee of Ernst & Young Retirement Benefits Plan, the investment managers, the investment platform and Mercer (our consultants), each have duties to perform to ensure compliance with this Statement. These are:

The **Trustee** will review this Statement when investment strategy is amended or, in any event for example following a significant change, at least every three years on the advice of Mercer. The Trustee will record compliance with it annually.

The **Delegated Investment Manager** will prepare quarterly reports for the Trustee including:

- Valuation and performance of all investments held for the Plan.
- A review of recent actions undertaken on behalf of the Plan.
- Confirmation that the principles contained in the Statement have been followed and that Mercer has agreed to, and has had regard for, the need for diversification and the suitability of investments to the Plan.

Mercer will also provide the advice needed to allow us to review and update this Statement as and when required.

Name.....

Name.....

Signature.....

Signature.....

Date.....

Date.....