

Fujifilm Diosynth Biotechnologies UK Pension Fund

Statement of Investment Principles – September 2024

1. Introduction

The Trustee of the Fujifilm Diosynth Biotechnologies UK Pension Fund (the “Fund”) has drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of the Pensions Act 1995 (the “Act”) 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 Fund’s investments. The Trustee’s investment responsibilities are governed by the Fund’s Trust Deed and Rules, of which this Statement takes full regard.

The Fund has both a defined benefit (“DB”) and defined contribution (“DC”) section. The Trustee’s investment principles for both sections are set out separately below.

In preparing this Statement, the Trustee has taken advice from a suitably qualified person by obtaining written advice from Mercer Limited (“Mercer”) with regards to the DB section, and from Aon Investments Limited with regards the DC section. In addition, consultation has been undertaken with Fujifilm Diosynth Biotechnologies UK Limited (the “Sponsor”) to ascertain whether there are any material issues of which the Trustee should be aware in agreeing the Fund’s investment arrangements and, in particular on the Trustee’s objectives.

2. DB Section

2.1 *Process for choosing investments*

Overall investment policy falls into two parts. The overall strategic management of the assets is fundamentally the responsibility of the Trustee acting on advice from its investment consultant, and is driven by its investment objectives as set out below. For the remaining elements of policy, the Trustee has appointed Mercer to act as discretionary investment manager, by way of Mercer’s Dynamic De-risking Solution, to implement the Trustee’s strategy whereby the funding level is monitored against pre-defined notional funding level triggers which identify opportunities for the Trustee to reduce the level of investment risk as the Fund’s funding level improves. In this capacity, and subject to agreed restrictions, the Fund’s assets are invested in multi-client collective investment schemes (“Mercer Funds”) 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 Fund’s assets on a day to day basis.

In considering appropriate investments for the Fund, the Trustee has obtained and considered the written advice of Mercer, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee’s opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

2.2 Investment Objectives

The Trustee’s primary objective is to ensure that the Fund can meet its obligations to the beneficiaries of the Fund. The Trustee recognises that this ultimately means investing in a portfolio of bonds and other liability driven investments but believe that at the current time some equity and growth asset investment is justified to target enhanced return expectations and

thereby funding level improvements. The Trustee recognises that this introduces investment risk and these risks are discussed below.

The Trustee believes that the investment strategy adopted for achieving this objective will also be appropriate for achieving the objectives of avoiding significant volatility in the contribution rate over the longer term (whilst recognising that the Fund has a strong funding level and therefore no contributions are currently payable).

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustees determines to be financially material considerations. Non-financial considerations are discussed in section 4.

2.3 Risk Management and Measurement

There are various risks to which any pension scheme is exposed. The Trustee's policy on risk management over the Fund's anticipated lifetime is as follows:

- The primary risk upon which the Trustee focuses is that arising through a mismatch between the Fund's assets and its liabilities and the Sponsor's ability to support the 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 Fund's accruing liabilities as well as producing more volatility in the Fund's funding position.
- The Trustee has delegated asset allocation to Mercer. The asset allocation has initially been set so that the expected return on the portfolio is sufficient to meet the objectives outlined in Section 2.2. Mercer provides the Trustee with regular reports regarding the Fund's asset allocation.
- The Trustee recognises that even if the Fund's assets are invested in the Matching Portfolio there may still be a mismatch between the interest-rate and inflation sensitivity of the Fund's assets and liabilities due to differences in the characteristics of the assets and the liabilities.
- The Trustee recognises the risks that may arise from the lack of diversification of investments. To mitigate the associated risks the Trustee has delegated the asset allocation decisions to Mercer who aims to ensure the asset allocation policy in place results in an adequately diversified portfolio.
- To help ensure the continuing suitability of the current investments the Trustee delegates responsibility for the hiring, firing and ongoing monitoring of the Fund's investment managers to MGIE. Mercer provides the Trustee with regular reports regarding the appointed investment managers to monitor consistency 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, the Trustee believes that this risk is outweighed by the potential gains from successful active management. Active manager risk is diversified by employing multiple managers within each asset class.
- Likewise, passive management will be used for one of a number of reasons, namely to reduce active manager risk and when investing in markets where the scope for added value is limited.
- Investment may be made in securities that are not traded on regulated markets. Recognising the risks (in particular liquidity and counterparty exposure) the Trustee will ensure that the assets of the Fund are predominantly invested on regulated markets.

- The Trustee recognises that environmental, social and corporate governance concerns, including climate change, while being considered to be non-financial risks, have a financially material impact on return. Section 4 sets out how these risks are managed.
- The Trustee invests in leveraged LDI funds to maintain the liability hedging without impacting on expected return but recognises that the use of leveraged LDI brings with it additional liquidity risks and requirements which can change over short periods of time with interest rate changes. The Trustee and Mercer review the matching portfolio as part of the regular reporting and strategy reviews, including consideration of the market stress buffer and governance.

2.4 Investment Strategy

The Trustee, with advice from the Fund's Investment Consultant and Scheme Actuary and in conjunction with the Company, reviewed the Fund's investment strategy initially in 2014. This review considered the Trustee's investment objectives, its ability and willingness to take risk and how this risk budget should be allocated and implemented. The investment strategy is reviewed approximately annually to ensure its continued appropriateness and to take account of the market environment, Fund experience and any new information that becomes available.

The latest review was undertaken during 2022, and after a consultation process with the Sponsor the following high level strategy was agreed.

Asset Class	Target %	Range (%)
Growth assets	15	+/- 5
Matching assets	85	+/- 5
Total	100	

It is the Trustee's intention to consider further how this strategy should evolve over time and in particular in the event of further funding level improvements for the Fund and/or the increased likelihood of an insurer transaction taking place.

Day-to-Day Management of the Assets

The strategic and tactical allocation of assets within the growth and matching portfolios (with the exception of a legacy property holding) is delegated to Mercer. Performance objectives have been set for each asset class and are monitored regularly by the Trustee. The tables below set out the performance objectives for the asset classes in which the Fund was invested, or committed to be invested, at the time of writing.

Growth assets

Mercer

Mercer Portfolio	Benchmark Index
Fundamental Index equities (Hedged)	MSCI Diversified Multi Factor Custom (NDR) (Hedged)
Emerging Market equities	MSCI Emerging Markets (NDR)
Global Low Volatility equities	MSCI World (NDR) (Hedged)
Global Small Cap equities (Unhedged/Hedged)	MSCI World Small Cap (NDR) / MSCI World Small Cap (NDR) (Hedged)

Global Listed Infrastructure (Hedged)	FTSE Global Core Infrastructure 50/50 Index (Hedged)
Sustainable Global Equity (Hedged)	MSCI World (NDR) (Hedged)
UK Equity	FTSE-All-Share Net Total Return Index
Eurozone Equity (Hedged)	MSCI EMU (NDR) Hedged Index
China Equity	60% MSCI China/40% MSCI China A Onshore
Diversifying Alternatives Strategies	FTSE GBP 1 Month Euro Deposit Index
Mercer Portfolio	Benchmark Index
UCITS Alternatives Strategies	FTSE GBP 1 Month Euro Deposit Index
Multi-Asset Credit	Composite: 50% Bank of America Merrill Lynch Global High Yield Constrained 50% S&P/LSTA Global Leveraged Loan
HLV Property	Long term: FTSE Actuaries Gilts Over 15 Year Gilts
Passive Global REITS	FTSE EPRA Nareit Developed REITs Index
Emerging Market Debt (Local Currency)	JP Morgan GBI-EM Global Diversified
Emerging Market Debt (Hard currency)	JP Morgan EMBI Global Diversified ex CCC
Dynamic Asset Allocation Fund*	n/a*
Absolute Return Fixed Income (Hedged)	FTSE GBP 1 Month Euro Deposit
Short Duration Bonds 1 (Hedged)	JP Morgan Global Government Bond 1-3 Yr (TR) Index Hedged

* At the time of writing this document, the portfolio invests in Frontier Market Debt, Asian High Yield Debt, Convertible Bonds and Japanese Equities. The benchmark for this portfolio will vary over time depending on the underlying portfolio composition.

Henderson Global Investors (“Henderson”)

The Trustee has a small legacy allocation to the Henderson Indirect Property Fund (Europe), a fund that is in the process of being wound down and which at time of writing was substantially so.

Matching assets (Mercer)

Mercer Portfolio	Benchmark Index
Inflation Linked bonds	FTSE A Over 5 Year Index-Linked Gilts

UK Long Gilts	FTSE A Over 15 Year Gilts
Tailored Credit Fund	n/a ⁺
Flexible Enhanced Matching Inflation	Exact benchmark will be fund dependent ^{**}
Flexible Enhanced Matching Real	Exact benchmark will be fund dependent ^{**}
Short Dated UK Gilts	FTSE Actuaries Up to 5 Year Gilts Index
Passive Short Dated UK Index Linked Gilts	FTSE Actuaries UK Index-Linked Gilts < 10 Years Index
Cash	FTSE GBP 1 Month Euro Deposit Index

⁺ This fund is not comparable to a benchmark index due to the nature of buy and maintain strategies, and hence has no quoted benchmark.

^{**}These funds aim to match the performance of a series of fixed or index-linked cash flows, discounted using the derivative or gilt yields depending on the instruments being utilised, over the lifetime of the funds.

Mercer has discretion over the level of liability hedging subject to the Total Liability Hedge Ratio not deviating significantly from the target of 105%. This target was agreed as part of strategy review discussions during 2022 in order to represent a reasonable proxy for the movement of the liabilities on a buy-out basis. Where Mercer deems any deviation to be significant, it will take action in accordance with its best execution policy in order to move the Total Liability Hedge Ratio back towards the target.

The Trustee regularly reviews the continuing suitability of the Fund's investments, including Mercer's ability to select, appoint, remove and monitor the appointed managers. Mercer, MGIE, MGIM and Henderson are all regulated by the Financial Conduct Authority.

2.5 Expected return on the assets

Based on current long term assumptions for the asset classes held within the Fund it is reasonable to expect a return from the Fund's current investment strategy that is 0.8% p.a. above a Gilt return. This is not guaranteed and performance may differ significantly, especially in the short term. The Trustee recognises that it is appropriate to adopt a more prudent assumption for the purposes of their Actuarial Valuation.

2.6 Realisation of Investments

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

2.7 Cash flow and cash flow management

Cash flows, whether positive or negative, are taken into account by Mercer when it rebalances the Fund's assets in line with the Fund's strategic allocation. Mercer is responsible for raising cash flows to meet the Fund's requirements.

2.8 Rebalancing

Rebalancing ranges have been set within the growth and matching portfolios to ensure the

Fund's assets remain invested in a manner which is consistent with guidelines agreed by the Sponsor. The ranges have been designed to ensure that unnecessary transaction costs are not incurred by frequent rebalancing.

Responsibility for monitoring the Fund's asset allocation and undertaking any rebalancing activity when the range restrictions are breached is delegated to Mercer. Mercer reports quarterly to the Trustee on any breaches to the range restrictions.

3. DC Section

3.1 Investment objective

The Trustee is responsible for investing the Fund assets in a prudent manner. Its key aim is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives. It has taken into account members' circumstances, in particular the range of members' attitudes to risk and term to retirement.

3.2 Investment strategy

The range of fund options and default option created to meet the objectives set out in section 3.1 are shown below.

Investment Fund*	Underlying Asset	Investment characteristics
FujiBioTech Global Equity Fund	Multifactor global equities. 50% GBP Hedged	The returns are expected to be more volatile and less secure than from UK government bonds. To compensate for this extra risk, investors expect higher investment returns. There will also be additional risk due to currency movements. However, the additional diversification and partial currency hedging will help to reduce risk.
FujiBioTech UK Equity Fund	UK equities	The returns are expected to be more volatile and less secure than from UK government bonds. To compensate for this extra risk, investors expect higher investment returns.
FujiBioTech World (ex-UK) Equity Fund	World (ex UK) equities	The returns are expected to be more volatile and less secure than from UK government bonds. To compensate for this extra risk, investors expect higher investment returns. There will also be additional risk due to currency movements.
FujiBioTech Mixed 85 Fund	85% in multifactor global equities, 7.5% in each of Multi Asset Credit and Global Corporate bonds.	Returns will be slightly less volatile than the 100% equity funds due to a proportion in bond investment. The asset mix of this fund is designed to give a diversified portfolio.
FujiBioTech Mixed 50 Fund	50% in multifactor global equities, 25% in each of Multi Asset Credit and Global Corporate bonds.	Returns will be less volatile than the 100% equity funds due to the higher proportion in bond investments.
FujiBioTech Index-linked Gilts Fund	Over 5 years Index-linked Gilts	Investment returns expected to provide some protection from increases in inflation
FujiBioTech Corporate Bond Fund	AAA AA and A Fixed Interest Bonds	Corporate bonds are less secure and less marketable compared to Gilts. To compensate for the additional risk (relative to Gilts) investors expect a higher investment return.

FujiBioTech Cash Fund	Short-term cash instruments	Conservatively invested but without any inflation protection and therefore most likely to be suitable for short term investment purposes in the run up to retirement.
FujiBioTech Diversified Growth Fund (DGF)	Multi-asset fund made up of a blend of one or more underlying diversified growth funds, diversified across asset classes such as equities (regional and global mandates), active currency, private equity, emerging market / high yield debt, property, infrastructure and cash.	The fund looks to achieve returns above inflation over the long term, but with less volatility than pure equity investments. This is enabled through the use of alternative assets.
FujiBioTech Pre Retirement Fund	Government and corporate bonds	The fund looks to broadly match changes in the price of fixed annuities by investing in fixed income assets.

*All funds are managed by Legal & General with the exception of the FujiBioTech DGF which is currently invested in underlying funds managed by Schroders and BlackRock.

The Trustee has decided to make three lifestyle options available to members. The lifestyle options automatically switch members' funds as they approach their target retirement date ("TRD"). Each lifestyle options invests in the same way until a point seven years from a members' TRD.

The lifestyle options all consist of 100% investment in global equities (the FujiBioTech Global Equity Fund) until 15 years before Target Retirement Date (TRD). At this point, equities are gradually switched into the FujiBioTech Diversified Growth Fund.

At 5 years from TRD the three lifestyle strategies are invested 45% in global equities and 55% in diversified growth. They then diverge with an aim to be suitable for members wishing to access their DC funds in different ways:

- The **Drawdown Lifestyle** (default) starts to gradually switch a proportion of a members' funds out of equities and diversified growth at 5 years from TRD and into a combination of equities, multi asset credit and global corporate bonds, such that at TRD the allocation is 20% diversified growth, 40% global equity, 20% multi asset credit and 20% global corporate bonds. (using a combination of the FujiBioTech Diversified Growth Fund and the FujiBioTech Mixed 50 fund).
- In the **Annuity Lifestyle** at 5 years from TRD, the Fund gradually begins switching into bonds (the FujiBioTech Pre-retirement Fund) and cash (the FujiBioTech Cash Fund). The allocation at TRD is 75% bonds and 25% cash. This lifestyle option is designed to be appropriate for a member with a predictable retirement date who takes 25% of their DC fund as cash and uses 75% to purchase an annuity.
- In the **Cash Lifestyle** at 5 years from TRD, the Fund gradually begins switching into cash investments (the FujiBioTech Cash Fund) until the allocation at TRD is 100% cash. This lifestyle option is designed to be appropriate for a member with a predictable retirement date who takes all of their DC fund as cash.

The Trustee's policy is to provide suitable information for members so that they can make appropriate investment decisions. The range of funds was chosen by the Trustee after taking expert advice from the Trustee's investment advisers. In choosing the Fund's investment options, it is the Trustee's policy to consider:

- A full range of asset classes.

- The suitability of the possible styles of investment management and the need for manager diversification.
- The suitability of each asset class for a defined contribution Fund.
- The need for appropriate diversification of asset classes.

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 the bond and cash options are expected to be lower than returns on predominantly equity options. However, bond funds are expected to broadly match the price of annuities, giving some protection in the amount of secured pension for members closer to retirement. Cash funds aim to provide protection against changes in short-term capital values (although this cannot be guaranteed) and may be appropriate for members receiving part of their retirement benefits in the form of tax-free cash.

3.3 *DC Default Investment Arrangements*

This section is included for the purpose of compliance (to the extent applicable) with Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 amended from 6th April 2015.

The Trustee is required to designate a default arrangement into which members who are automatically enrolled are invested. The Trustee has designated the Drawdown Lifestyle Strategy (described above), as the default arrangement for the Fund.

The key objective for the default investment strategy, (so far as is reasonably practicable), is to provide a strategy that is suitable for meeting members' long and short-term investment objectives, taking into account members' circumstances.

It aims to do this by providing members with the potential for growth above the level of inflation during the accumulation of their retirement savings, and then to gradually adjust the asset allocation of their investments in the years approaching retirement, to reduce volatility and align with an asset class allocation suited to draw down an income in retirement.

The default lifestyle option has been designed to be suitable for the membership of the Fund, taking into account factors including age, salary, contribution levels and term to retirement.

The asset allocation throughout the Lifestyle option and the phasing of the gradual switching of investments takes into account members' greater capacity for investment risk early on and reduced capacity for investment risk in later years.

The performance of the default option and projected outcomes will be reviewed periodically with reference to the extent to which it meets the aims and objectives considering the returns on investments after charges and the manner in which members take their benefits from the Fund. This periodic review will also take into account any significant changes in the demographic profile of the relevant members.

The Trustees' policies in relation to the default arrangement in respect of matters set out in Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005, as amended are those set out in the following sections of this document.

3.4 *Risk management and measurement*

The Trustee recognises that the key risk is that members will have insufficient income in retirement or an income that does not meet their expectations. The Trustee considered this risk when setting the investment options and strategy for the fund. The Trustee's policy in respect of risk measurement methods and risk management processes is set out below.

The Trustee considers the following sources of risk:

- Risk of not meeting the reasonable expectations of members, bearing in mind members' contributions and fund choices.
- Risk of fund managers not meeting their objectives ("manager risk"). This risk is considered by the Trustee and its advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.
- Risk of default fund being unsuitable for the requirements of some members.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustee considers these risks in a qualitative rather than a quantitative manner as part of each formal strategy review. The Trustee's policy is to review the range of funds offered and the suitability of the lifestyle option periodically.

These risks are considered as part of each normal strategy review. In addition, the Trustee measures risk in terms of the performance of the assets compared to the benchmarks on a regular basis, usually quarterly, along with monitoring any significant issues with the fund managers that may impact their ability to meet performance targets set by the Trustee.

3.5 *Day-to-day management*

The Trustee employs three managers; Legal & General Investment Management Limited ("LGIM"), BlackRock and Schroder Investment Management Limited ("Schroder") to manage the funds.

3.6 *Responsible Investment*

In setting the Fund's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Fund and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. These include:

- The risk that environmental, social and governance factors including climate change negatively impact the value of investments held, if not understood and evaluated properly. The Trustee considers this risk by taking advice from their investment adviser when setting the Fund's asset allocation, when selecting managers and when monitoring their performance.

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Fund invests, as this ultimately creates long-term financial value for the scheme and its beneficiaries. The Trustee also recognises that these issues may be of particular interest to Fund members.

The Trustee reviews the suitability of the Fund's appointed asset managers, particularly those used within the default investment strategy, and takes advice from its investment consultant with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustee has set out in this policy, the Trustee undertakes to engage with the manager and seek a more sustainable position but may look to replace the manager.

The Trustee reviews the stewardship activities of its asset managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of its policies to those of the Fund's asset managers and ensure its managers use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.

The Trustee will engage with its investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of its active ownership policies, are being actioned. This will take the form of annual reporting which will be summarised in the annual Implementation Statement.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an asset manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

The Trustee has set a number of guiding principles, for making decisions in relation to responsible investment and stewardship:

- The position taken by the Pension Fund should be aligned with the Company policy on sustainability, except where the Trustee believes this is not in members' best interests.
- The Trustee should understand the policies and processes of its Fund Managers relating to ESG matters.
- The Trustee will review the policies and processes of its Fund Managers relating to ESG matters to ensure it considers that these are reasonable and also are not misaligned with Company policy on sustainability.
- The Trustee will regularly monitor its Fund Managers in relation to compliance with their own policies and processes.
 - The Trustee will consider what, if any, self-select investment options it is appropriate to make available to members who wish to invest their pension savings in line with personal beliefs.

Members' Views and Non-Financial Factors

In setting and implementing the Fund's investment strategy the Trustees do not explicitly take into account the views of Fund members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "nonfinancial factors").

3.7 *Illiquid Investing*

The Trustee may hold illiquid investments on behalf of DC members in the default investment strategy.

The illiquid investments are underlying holdings within wider pooled funds. Specifically, the FujiBioTech Diversified Growth Fund may allocate to underlying illiquid holdings. These are at the discretion of the underlying investment managers, and the allocations may increase or decrease over time.

The FujiBioTech Diversified Growth Fund is introduced in the de-risking phase of the lifestyle. It is therefore held by members within 15 years of retirement. The Trustee believes that the fund, and

the illiquid investments within it, provide diversification from the other key return drivers held by members at this stage of the lifestyle.

Whilst the Trustee recognises that illiquid investments may be associated with higher costs, and liquidity risks, they nevertheless believe that the benefits of diversification and access to an illiquidity premium should benefit members in the long term. The Trustee also believes the underlying Diversified Growth Fund managers (BlackRock and Schroders) are best placed to use their discretion as to the appropriateness of holding illiquid investments in the funds at any particular time, and to use the liquid portions of the fund to ensure members have sufficient access to liquidity.

4. **ESG, Stewardship, and Climate Change**

DB Section

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

As noted above, the Trustee has appointed Mercer to act as discretionary investment manager in respect of the Fund's assets and such assets are invested in a range of Mercer Funds managed by MGIE. Asset managers appointed to manage the Mercer Funds are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Stewardship Code.

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

The Trustee considers how ESG, climate change and stewardship is integrated within Mercer's, and MGIE's, investment processes and those of the underlying asset managers in the monitoring process. Mercer, and MGIE, is expected to provide reporting to the Trustee on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities and other asset classes where relevant and data is available.

The Trustee notes Mercer's commitment 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 multiclient, multi asset funds domiciled in Ireland.

Mercer's Climate Change Management report highlights the approach to the TCFD framework in more detail, including example analysis on strategy targets and metrics.

An allocation to Sustainable Equities is directly made by the Fund, A detailed standalone sustainability monitoring report is produced for the active Sustainable Global Equity fund on an annual basis. The approach considers revenues that positively and negatively contribute to environmental and social outcomes (also mapped to the SDGs).

The Trustee recognises the conflict of interest which may arise in the context of responsible investment. Mercer and MGIE make 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 in relation to stewardship. Sub-investment managers 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

Member views are not taken into account in the selection, retention and realisation of investments. However, the Trustees believe that the delegation of portfolio construction to Mercer will lead to ESG considerations that are in the best interests of the Fund as a whole.

Investment Restrictions

With effect from April 2023, the Scheme is not permitted to invest in the Mercer High Income UK Property Fund. This decision was made in order to consider liquidity requirements on the path to a potential insurer transaction in the future. For avoidance of doubt, since the Scheme currently holds Mercer High Income UK Property Fund as of the date of this document, the Fund has been terminated as of 29 March 2024 and is in the process of distributing redemption proceeds to investors on a pro-rata basis.

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

DB Section

When engaging Mercer as discretionary investment manager to implement the Trustee's investment strategy outlined in section 2.4, the Trustee is concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Fund, in particular, the long-term liabilities.

As Mercer manages the Fund's assets by way of investment in Mercer Funds, which are multiclient 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 2.4. The Trustee has taken steps to satisfy itself that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.

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

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

Neither Mercer or MGIE make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustee is, however, able to consider Mercer's and MGIE's assessment of how each underlying third party asset manager embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the

Trustee's own responsible investment policy. This includes the asset managers' policies on voting and engagement.

Section 4 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund's investment objectives or the objectives/policies of the Fund.

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.

The Trustee is a long-term investor and is not looking to change the 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 sections 2.2. Mercer's, and MGIE's, fees are based on a percentage of the value of the Fund's assets under management which covers the design and annual review of the de-risking strategy, and investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Fund.

Mercer's, MGIE's, and the third party asset managers', fees are outlined in a quarterly investment strategy report prepared for the Trustee, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.

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

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 investment managers undertaken by MGIE.

DC Section

With regards to the DC section Aon Solutions UK Limited has been selected as investment adviser to the Trustee. They operate under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions itself and monitor those it delegates. Aon Solutions UK Limited are paid on a time cost basis for all the work they undertake for the Fund although fixed fees may be negotiated by the Trustee for certain projects.

Trustee policy on costs & transparency

The Trustee believes it is important to understand all the different costs and charges, which are paid by members. These include:

- explicit charges, such as the annual management charge, and additional expenses that are disclosed by fund managers as part of the Total Expense Ratio ('TER');

- investment platform costs.
- implicit charges, such as the portfolio turnover costs (transaction costs) borne within a fund.

The Trustee defines portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the fund's portfolio. These are incurred on an ongoing basis and are implicit within the performance of each fund.

Other costs of providing the Fund, including administration and adviser costs, are not charged to members.

The member borne costs of the Fund are met through annual charges on the funds in which the Fund members are invested; these charges being a fixed percentage of the value of the assets. The Trustee collects information on all the member-borne costs and charges on an annual basis, where available, and sets these out in the Fund's Annual Chair's Statement regarding DC Governance (the "Annual Chair's Statement"), which is made available to members in a publicly accessible location.

No specific ranges are set for acceptable costs and charges, particularly in relation to portfolio turnover costs. However, the Trustee expects its investment adviser to highlight if these costs and charges appear unreasonable when they are collected as part of the Annual Chair's Statement exercise.

It is the Trustee's view that long term performance, net of fees, is the most important metric on which to evaluate its asset managers.

The Trustee believes that active investment managers can add value, net of fees. It is therefore comfortable with the use of active funds in the default investment lifestyle and in the self-select range. Passive funds are also used in the default investment lifestyle and are made available in the self-select range for those members who prefer low cost solutions.

Arrangements with asset managers

The Trustee monitors those investments used by the Fund to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustee's policies as set out in the Statement of Investment Principles, including those on non-financial matters.

This includes monitoring the extent to which asset managers:

- make decisions based on assessments about medium- to long-term financial and nonfinancial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by its investment consultant.

The Trustee shares the policies, as set out in this SIP, with the Fund's asset managers, and requests that the asset managers review and confirm whether their approach is in alignment with the Trustee's policies.

Before appointment of a new asset manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, and reflecting that the Trustee invests through the Legal & General platform, the Trustee will seek to express its expectations to the asset managers to try to achieve greater alignment.

The Trustee believes that setting clear expectations to the asset managers (e.g. verbally or in writing at time of appointment), and regular monitoring of asset managers' performance and investment strategy, is in most cases sufficient to incentivise the asset managers to make decisions that align with the Trustee's policies and are based on assessments of medium and long-term financial and non-financial performance.

Where asset managers are considered to be making decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager, but could ultimately replace the asset manager where this is deemed necessary.

There is typically no set duration for arrangements with asset managers, although the continued appointment for asset managers will be reviewed periodically, and at least every three years..

6. Review of this Statement

The Trustee will review this Statement in response to any material changes to any aspects of the Fund, its liabilities, finances, the attitude to risk of the Trustee and the Company which they judge to have a bearing on the stated 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.

Signed:.....

Mark Carver, Chair of Trustee

September 2024

For and on behalf of the Trustee of the Fujifilm Diosynth Biotechnologies UK Pension Fund