



Nestlé UK Pension Fund (DC Section) Investment Implementation Document

July 2024

1 Introduction

This document (the “Investment Implementation Document”, or “IID”) has been prepared by Nestlé UK Pension Trust Limited, as Trustee of the Nestlé UK Pension Fund (the “Fund”).

It is intended to supplement the Fund’s Statement of Investment Principles (“SIP”) for the DC Section. As such, both documents should be read in conjunction, with the Statement of Investment Principles capturing the broad principles of investment strategy and investment decision making (and thereby fulfilling the statutory disclosure requirements), with the IID providing more detail on the specific investments held and the various policies and procedures that have been agreed and put in place by the Trustee. As a result, this should be considered to be a working document and the Trustee anticipates making more frequent changes to it, periodically, over and above the Fund’s SIP (which is principles-based in nature).

The IID is maintained by the Fund’s Head of Investment and Risk and the DC Committee (DCC).

The IID covers the following broad areas which relate to the DC Section of the Fund:

- Membership Profile;
- Investment Options;
- Governance; and
- Fees and Charges.

The appendices to this document also provide further information on the responsibilities of various parties in the ongoing running of the DC Section of the Fund, service providers that have been appointed and fund information (including objectives, benchmarks and charges).

2 Membership Profile

2.1 Member attitude to risk

In designing a suitable investment strategy, the Trustee recognises that:

- Members have differing investment needs and that these needs change during the course of their working lives; and
- Attitudes to investment risks, and the need for investment returns, will vary from member to member and will also vary for each member over time, in particular as they approach retirement.

As a result, the Trustee believes that a range of investment options should be offered to members.

The Trustee believes it is in the best interests of members to offer a default arrangement (known as the Default Option) which manages the principal investment risks members face during their membership of the Fund and which targets the method by which the majority of members are expected to take retirement benefits in the near-term. The Default Option is a lifestyle strategy which the Trustee believes is broadly appropriate to meet the needs of a majority of the membership.

2.2 Member benefit choices at retirement

Following the pensions Freedom and Choice introduced in April 2015, members have a choice at retirement of:

- Taking cash at retirement;
- Taking Uncrystallised Funds Pension Lump Sums (“UFPLS”) for several years into retirement;
- Using Flexible Access Income Drawdown (“FAD”) during their retirement; or
- Buying an annuity at retirement or several years into their retirement.

The Trustee believes that members’ choices of benefits at retirement will be strongly influenced by:

- The size of their DC Pot in the Fund;
- The size of their deferred benefits from previous occupational pension schemes (especially defined benefit arrangement if applicable) and workplace group personal pension plans; and
- Other sources of income including non-pension savings and partners’ pension provision.

In practice, the Trustee can only reliably take the likely size of members’ DC Pots in the Fund into account. The Trustee believes that a typical member, without significant sources of income outside the Fund, could be expected to act mostly as follows:

- **Small pots** – would be taken as cash or UFPLS over a few years in retirement;
- **Medium sized pots** – would be taken as UFPLS over several years in retirement; and
- **Larger pots** – would be taken as cash at retirement and income drawdown during retirement (although some may use part of their DC Pot to buy an annuity at, or some years into, retirement).

At present, the Fund accommodates 100% cash withdrawal at retirement. The Trustee does not offer income drawdown facilities within the Fund – members would need to transfer their funds to other arrangements to do this.

3 Investment Options

3.1 Overall objectives

The Trustee's overall objective is to invest contributions in the best interests of members and their beneficiaries.

The objectives for the Default Option and self-select investment options are detailed in the Statement of Investment Principles.

3.2 Default Option

The rationale for having a default fund is detailed in the Statement of Investment Principles.

The Trustee has undertaken analysis of the DC Section's membership, which showed that:

- The majority of members retiring in the next few years are expected to have relatively small DC pots at retirement; and
- The majority of members retiring further into the future are expected to have more significant DC pots at retirement.

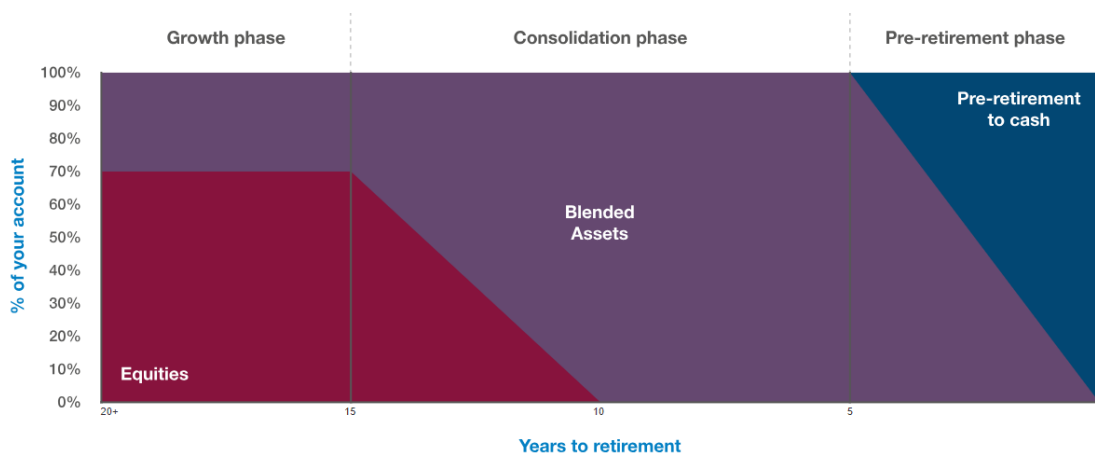
Based on this analysis, the Trustee believes that most members currently approaching retirement will want to take their retirement benefits as cash at retirement and / or UFPLS for several years into retirement and the Default Option, in particular the pre-retirement phase (see below for further details), has been designed with this in mind.

Objectives of the Default Option

The objectives of the Default Option are detailed in the Statement of Investment Principles.

Design of the Default Option

The Default Option is a lifestyle strategy containing three phases within the 'lifecycle' of pension savings as depicted below:



Note that during the growth phase, the Equities fund and Blended Assets fund have been combined to form the Growth fund¹ to prevent unnecessary mechanistic rebalancing.

¹ Note that the Growth fund does not include an allocation to property, despite this forming a 10% allocation of the Blended Assets fund. This is to avoid members in the growth phase incurring additional transition costs ahead of planned investment changes due to take place following the transition of administration services to Mantle. Further information on the current underlying components of the Growth, Blended Assets, Equities and Pre-Retirement to Cash funds can be found in Appendix 3 of this document.

Targets of the Default Option

The Default Option aims to deliver a risk-return outcome in line with the following return targets and volatility thresholds that have been set for its component funds:

Fund	Aim	Return Target*	Maximum acceptable volatility*
Equities	Invest in funds which are expected over the long-term to deliver strong returns relative to inflation.	CPI + 4% p.a.	20% p.a.
Blended Assets	Invest in funds which are expected over the long-term to deliver good returns relative to inflation, while seeking to reduce the level of volatility in fund values relative to equities.	CPI + 3% p.a.	15% p.a.
Pre-Retirement to Cash	Invest in lower risk funds (such as cash) which are expected to help mitigate fluctuations in the sizes of both members' fund values and the benefits members are likely to take at retirement.	CPI	5% p.a.

*Return Target and Maximum Acceptable Volatility agreed and monitored against from May 2023.

The Trustee monitors the suitability of the targets at least every three years and without delay after any significant change in investment policy or the demographic profile of the membership.

The Trustee monitors the performance (after the deduction of charges) of the Default Option and its component funds against these targets on a quarterly basis.

Further information on the funds used in the Default Option are outlined in Appendix 3.

3.3 Self-select investment options

In addition to the Default Option, members are offered a choice of self-select investment options across a range of asset classes and investment styles. The Trustee believes that such options are appropriate to achieve the overall objectives of the Fund (as set out in the Statement of Investment Principles).

The self-select investment options are outlined in Appendix 3.

Members cannot invest concurrently in self-select funds and in the Default Option.

3.4 Additional Voluntary Contributions ("AVCs")

The Trustee also has legacy AVC arrangements with Standard Life. Members are no longer able to make contributions to these legacy AVC funds, but existing assets may remain invested until further notice. All benefits held with Standard Life are With-Profits funds, including the Standard Life With-Profits One Fund and the Standard Life With-Profits One 2006 Fund. The funds are closed to new contributions.

4 Governance

4.1 Trustee's Powers

The Trustee will always act in the best interests of the members and will assess the suitability of different types of investments to meet the needs of members.

4.2 Responsibilities

The key responsibilities in connection with the governance of the Fund are described in Appendix 1.

4.3 Communication

The Trustee communicates regularly with all stakeholders to ensure that they are aware of the Trustee's responsibilities in relation to investment. This includes the following:

- Consulting the Principal Employer on the content of this IID;
- Consulting the Principal Employer on the content of the Statement of Investment Principles;
- Providing communications to members;
- Producing the Annual Report and Accounts which includes the Chair's statement;
- Completing an annual return to the Pensions Regulator;
- Meeting regularly with the Investment Consultant, the investment managers and the administrator; and
- Providing a range of literature to assist members in making their investment decisions. In addition, members should be provided access to factsheets for each fund showing up-to-date asset allocation and past performance.

4.4 Service Providers

Details of the current service providers and investment managers to the Fund are set out in Appendix 2 and 3.

4.5 Fees

Details of the current fees for the Fund's service providers and funds are set out in Section 5.

5 Fees and Charges

5.1 Investment Consultant

The Fund's Investment Consultant is predominately paid for on a time-cost basis, subject to pre-agreed budgets. The Trustee believes that this approach ensures that all advice is impartial and independent.

5.2 Investment Management

The investment managers apply the charges set out in Appendix 3 for investing in the funds selected by the Trustee. The Total Expense Ratio ("TER"), also known as the Total Charge, is the sum of a fund's Annual Management Charge ("AMC") and any additional expenses (reflecting all the other operating costs and expenses of running the fund). The TER includes a platform fee of 0.05%. The TER excludes transaction costs on the fund's underlying assets.

The Trustee monitors the total charges of the funds used in the Default Option at quarterly reference points. The total charges borne by members in the Default Option over a rolling 12-month period comply with the charge cap.

The Trustee monitors the compliance of the Default Option with the charge cap introduced by the Pensions Act 2014, which applies from April 2015.

The charges for the investment options are borne by the members (through a deduction in their unit price).

Note that the total expense ratio (TER) can vary slightly due to the different performance of the underlying funds and the expenses incurred by them. The TER's in Appendix 3 are accurate as at 29 February 2024.

5.3 Administration

The administration costs are borne by the employer.

Signed on behalf of the DC Committee of the Nestlé UK Pension Fund:

Name	Position	Date
Steve Delo	Chair of the Board of Trustees	24 July 2024

Appendix 1 – Responsibilities

The Trustee has decided on the following division of responsibilities and decision-making for the DC Section of the Fund. This division is based upon the Trustee's understanding of the various legal requirements placed upon it, and its view that this division allows for efficient operation of the Fund overall, with access to an appropriate level of expert advice and service.

Employer

The Employer is responsible for paying the contributions and for providing support to the Trustee to help govern the Fund.

Trustee

The Trustee is responsible for the appointment, monitoring and dismissal of the investment managers. Having taken advice from the Fund's Investment Consultant, the Trustee is satisfied that the appointed investment managers have sufficient experience and expertise to carry out their role.

The Trustee does not give advice to individual members on their fund selections. Members are encouraged to take independent financial advice when making their individual investment choices.

DC Committee (DCC)

The Trustee has set up a DC Committee (DCC) who will be responsible for all matters relating to the DC Section of the Fund, in accordance with its terms of reference.

The DCC meets on a quarterly basis to ensure that enough time is spent running the DC Section of the Fund properly and with the appropriate level of governance.

The DCC's main responsibilities include:

- Ensuring that the investment options are suitable for the Fund's membership profile;
- Preparation of the Statement of Investment Principles and reviewing the content of the Statement and modifying it if deemed appropriate, in consultation with the Principal Employer and the Investment Consultant. The DCC has the responsibility of maintaining this document (the IID);
- Appointing the Investment Consultant and other advisors as necessary for the good stewardship of the Fund;
- Assessing the performance, charges and processes of the investment managers by means of regular, but not less than annual, reviews of investment performance and other information, with the Investment Consultant;
- Monitoring compliance of the investment arrangements with this Statement on a regular basis; and
- Preparing an annual Chair's Statement and DC Implementation Statement for inclusion in the Annual Report and Accounts.

Investment Consultant

The DC Investment Consultant's main responsibilities include:

- Assisting the Trustee in the preparation and annual review of the SIP for the DC Section and this IID;
- Providing the Trustee with quarterly reports including commentary on any changes to the DC Section's funds' investment approach and a review of the investment performance;
- Giving advice to the Trustee on the development of a clear investment strategy for the Fund including the Default Option and self-select investment options;
- Providing general advice in respect of the Fund's investment activities;
- Providing advice on the construction of an overall investment management structure and fund offering that meets the objectives of the Trustee;
- Undertaking project work including reviews of the DC Section's investment strategy, investment performance and manager structure as required by the Trustee;
- Providing views on the investment managers used by the Fund, assist the Trustee on the selection and appointment of appropriate investment managers and reviewing the performance of the DC Section's investment managers; and
- Providing training or education on any investment related matter as and when the Trustee sees fit.

Platform Provider

All funds within the DC Section are accessed through an investment platform. The investment platform in turn invests in funds provided by a selection of investment managers where investments are pooled with other investors. The platform provider offers a selection of investment managers to invest in and performs suitable levels of due diligence before new funds are added to the platform.

Investment Managers

All day-to-day investment management decisions have been delegated to the investment managers authorised under the Financial Services & Markets Act 2000.

The investment managers' main responsibilities include:

- Ensuring that investment of their respective fund's assets are in line with the objectives and constraints of the fund's prospectus;
- Managing their respective portfolios, within the guidelines of the funds selected by the Trustee, in order to meet the fund's objective;
- Providing the Trustee with regular information concerning the management and performance of their respective portfolios;
- Informing the Trustee of any changes in the internal performance objective and guidelines of any pooled fund used by the DC Section of Fund as and when they occur; and
- Exercising voting rights and their engagement activities in accordance with their general policy.

Custodian

The custody arrangements in respect of the DC Section are those operated by the investment managers for all clients investing in their funds. The custodians are responsible for ensuring the security of the funds' underlying assets and recording sales and purchases of the funds' underlying assets.

Administration

The administrator's main investment related responsibilities include:

- Passing contributions to the platform provider and ensuring that members are allocated the correct number of units in the fund, by ensuring the prompt investment and reconciliation of contributions;
- Undertaking switches between funds as required;
- Operating the lifestyle strategy of the Default Option;
- General administration, including maintaining records of the members' investments and providing members with annual benefit statements; and
- Paying benefit when they become due and realising investments to pay benefits if required.

Members

Members are expected to be responsible for choosing the investment options in which contributions are invested, consistent with their tolerance of risk and likely benefits at retirement (and their level of understanding and ability to take investment decisions).

Where members do not make a decision on where they would like to invest, the Trustee provides the Default Option which is designed to be appropriate to meet the needs of a majority of the membership.

Appendix 2 – Service providers

The Trustee has appointed the following service providers:

Investment Consultant

The investment consultant (for the Defined Contribution Section) is Aon.

Platform provider

The investment platform through which the investment options are operated is provided by Fidelity.

Custodians

The underlying funds' custodians are appointed by the investment managers.

Administration

The administration of the Fund is carried out internally by Nestlé.

Investment Managers

The investment managers (for the DC Section) are set out in Appendix 3.

Appendix 3 – Fund information

Funds in the Default Option

Fund name	Asset Class	Fund manager	Objective	Underlying fund(s)	Benchmark	Total Expense Ratio (TER) as at 29 February 2024
Growth Fund*	Multi - Asset	BlackRock, Loomis Sayles, PIMCO, Robeco	This fund aims to provide sustainable long-term returns. To achieve this, the fund may invest in a broad range of assets including, but not limited to equities, bonds, property and cash.	38.9% BlackRock ACS World Multi-Factor ESG Equity Tracker Fund 38.9% BlackRock ACS World ESG Equity Tracker Fund 8.7% Loomis Sayles Global Emerging Markets Fund 6.75% PIMCO GIS Income Fund 6.75% Robeco Global SDG Credits Fund	38.9% MSCI World Select Multiple Factor ESG Low Carbon Target Index 38.9% MSCI World ESG Focus Low Carbon Screened Index 8.7% MSCI Emerging Markets Index (Net) 6.75% Bloomberg U.S. Aggregate (GBP Hedged) Index 6.75% Bloomberg Global Aggregate Corporates Index	0.20%
Equities Fund*	Equity	BlackRock, Loomis Sayles	The fund seeks to provide an investment return in excess of inflation over the long-term by investing in a diversified portfolio	45% BlackRock ACS World Multi-Factor ESG Equity Tracker Fund 45% BlackRock ACS World ESG Equity Tracker Fund 10% Loomis Sayles Global Emerging Markets Fund	45% MSCI World Select Multiple Factor ESG Low Carbon Target Index 45% MSCI World ESG Focus Low Carbon Screened Index	0.16%

			of equities.		10% MSCI Emerging Markets Index (Net)	
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Fund name	Asset Class	Fund manager	Objective	Underlying fund(s)	Benchmark	Total Expense Ratio (TER) as at 29 February 2024
Blended Assets Fund*	Multi - Asset	BlackRock, Loomis Sayles, PIMCO, Robeco SAM, Legal & General.	This fund aims to provide more stable (but slightly lower) long term returns than equities. The fund will invest in a broad range of assets including, but not limited to equities, bonds, property, hedge funds and cash. The fund is actively managed by investment managers who make asset allocation decisions in order to deliver the targeted investment return.	20.25% BlackRock ACS World Multi-Factor ESG Equity Tracker Fund 20.25% BlackRock ACS World ESG Equity Tracker Fund 4.5% Loomis Sayles Global Emerging Markets Fund 22.5% PIMCO GIS Income Fund 22.5% Robeco SAM Global SDG Credits Fund 10% L&G Hybrid Property Fund	20.25% MSCI World Select Multiple Factor ESG Low Carbon Target Index 20.25% MSCI World ESG Focus Low Carbon Screened Index 4.5% MSCI Emerging Markets Index (Net) 22.5% Bloomberg U.S. Aggregate(GBP Hedged) Index 22.5% Bloomberg Global Aggregate Corporates Index 7% AREF/IPD UK Quarterly All Balanced Property Fund Index 3% FTSE EPRA/NAREIT Global Developed Real Estate Index	0.32%

Pre - Retirement to Cash Fund*	Cash	BlackRock	The aim of this fund is to provide exposure to a range of assets that have relatively low volatility and are expected to deliver returns in line with UK money market rates.	100% BlackRock Aquila Connect Sterling Liquidity Environmentally Aware Fund (LEAF)	SONIA	0.15%
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*These are blended funds. Underlying funds and allocations are shown in the table above.

Funds available as self-select investment options

Fund name	Asset Class	Fund manager	Objective	Underlying fund(s)	Benchmark	Total Expense Ratio (TER) as at 29 February 2024
Equities Fund*	Equity	BlackRock, Loomis Sayles	The fund seeks to provide an investment return in excess of inflation over the long-term by investing in a diversified portfolio of equities.	45% BlackRock ACS World Multi-Factor ESG Equity Tracker Fund 45% BlackRock ACS World ESG Equity Tracker Fund 10% Loomis Sayles Global Emerging Markets Fund	45% MSCI World Select Multiple Factor ESG Low Carbon Target Index 45% MSCI World ESG Focus Low Carbon Screened Index 10% MSCI Emerging Markets Index (Net)	0.16%
Blended Assets Fund*	Multi-Asset	BlackRock, Loomis Sayles, PIMCO, Robeco SAM, Legal & General.	This fund aims to provide more stable (but slightly lower) long term returns than equities. The fund will invest in a broad range of assets including, but not limited to equities, bonds, property, hedge funds and cash. The fund is comprised of both passive and active investment managers who make asset allocation decisions in order to deliver the targeted investment return.	20.25% BlackRock ACS World Multi-Factor ESG Equity Tracker Fund 20.25% BlackRock ACS World ESG Equity Tracker Fund 4.5% Loomis Sayles Global Emerging Markets Fund 22.5% PIMCO GIS Income Fund 22.5% Robeco SAM Global SDG Credits Fund 10% L&G Hybrid	20.25% MSCI World Select Multiple Factor ESG Low Carbon Target Index 20.25% MSCI World ESG Focus Low Carbon Screened Index 4.5% MSCI Emerging Markets Index (Net) 22.5% Bloomberg U.S. Aggregate(GBP Hedged) Index 22.5% Bloomberg Global Aggregate Corporates Index 7% AREF/IPD UK Quarterly All Balanced	0.32%

				Property Fund	Property Fund Index 3% FTSE EPRA/NAREIT Global Developed Real Estate Index	
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Fund name	Asset Class	Fund manager	Objective	Underlying fund(s)	Benchmark	Total Expense Ratio (TER) as at 29 February 2024
Pre-Retirement to Cash Fund	Cash	BlackRock	The aim of this fund is to provide exposure to a range of assets that have relatively low volatility and are expected to deliver returns in line with UK money market rates.	100% BlackRock Aquila Connect Sterling Liquidity Environmentally Aware Fund (LEAF)	SONIA	0.15%
Property Fund	Property	Legal & General	This fund aims to provide a diversified exposure to the UK and global property market.	100% Legal & General 70:30 Hybrid Property Fund	70% AREF/IPD UK Quarterly All Balanced Property Fund Index 30% FTSE EPRA/NAREIT Global Developed Real Estate Index	0.46%
Corporate Bonds Fund	Corporate Bonds	Robeco	This fund aims to outperform its benchmark and provide long-term capital growth based on investment in global, non-government bonds. The fund will not invest into assets with a rating lower than "B-" and aims to invest in companies that contribute positively towards achieving the	100% Robeco SAM Global SDG Credits Fund	Bloomberg Global Aggregate Corporates Index	0.32%

			United Nations Sustainable Development Goals (SDG).			
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Fund name	Asset Class	Fund manager	Objective	Underlying fund(s)	Benchmark	Total Expense Ratio (TER) as at 29 February 2024
Ethical Growth	Equity	Legal & General	The fund aims to provide long-term growth in line with its benchmark. It invests in a portfolio of global equities that has been ethically screened to ensure that they have a focus on integrating sustainability issues.	100% L&G Ethical Global Equity Index	FTSE4Good Developed Index	0.25%
Ethical Consolidation*	Multi-Asset	Legal & General, BlackRock	This portfolio offers investment in a mix of equities and UK government bonds. Funds in the FTSE 4Good Global Equity Index are ethically screened to ensure that they have a focus on integrating sustainability issues. The expected level of risk is expected to be similar to bonds. This is a passive fund which aims to invest 15% in equities and 85% in UK government bonds.	15% L&G Ethical Global Equity Index 17.5% L&G All Stocks Gilts Index Fund 17.5% L&G All Stocks Index-Linked Gilts Index Fund 50% BlackRock Up to 5 Years Gilts Index Fund	15% FTSE4Good Developed Index 17.5% FTSE A All Stocks Gilts Index 17.5% FTSE A All Stocks Index-Linked Gilts Index 50% FTSE A Up to 5 Years Gilts Index	0.13%

Fund name	Asset Class	Fund manager	Objective	Underlying fund(s)	Benchmark	Total Expense Ratio (TER) as at 29 February 2024
Pre-Retirement to Annuity	Annuity Purchase	Legal & General	The fund aims to provide diversified exposure to fixed interest assets in a way that reflects the investments underlying a typical traditional level annuity product. The manager incorporates Environmental, Social and Governance considerations as part of the investment strategy.	100% Legal & General Future World Annuity Aware Fund	FTSE Annuities Index	0.14%
Cash Fund	Cash	BlackRock	The aim of this fund is to provide exposure to a range of assets that have relatively low volatility and are expected to deliver returns in line with UK money market rates.	100% BlackRock Aquila Connect Sterling Liquidity Environmentally Aware Fund (LEAF)	SONIA	0.15%
Shariah Fund	Equities	HSBC	This fund invests in shares of companies based across the globe that are consistent with Islamic investment principles as interpreted and laid down by the Shariah Committee. The aim of the fund is to create long-term capital appreciation. However, global shares can often experience times of heightened volatility. The fund is a passive	100% HSBC Islamic Global Equity Index Fund	Dow Jones Islamic Titans 100 Index	0.35%

			fund which means that the shares are chosen to reflect the benchmark index of shares rather than relying on the investment manager to individually choose shares.			
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*These are blended funds. Underlying funds and allocations are shown in the table above.