

## Extract from Chair's statement on compliance with Defined Contribution Governance Standards for the year 31 March 2023

### Investment default arrangements

The Trustee is responsible for the Fund's investment governance, which includes setting and monitoring the investment strategy for the Fund's default arrangement. The Trustee has selected its default investment strategy having carefully considered the profile of its members. The main objective of the default strategy is to provide good member outcomes at retirement while subject to a level of investment risk appropriate to the majority of members who do not make an active investment choice which includes reducing investment risk towards members' retirement in order to reduce the likelihood of significant falls in outcomes close to retirement. Members of the DC section with more than eight years to retirement are invested in the Mercer Growth SW12 Fund (also known to members as the Whitbread Growth Fund) which has an objective of generating long-term equity-like returns but with less risk than equities. Members with eight years or less until retirement are invested in either a cash retirement path or an income retirement path, via a range of target date funds. The objective of the cash retirement path is to reduce risk and gradually stabilise the pension account value. The objective of the income retirement path is to reduce risk to facilitate income drawdown at retirement. Members are defaulted into one of the paths based on the estimated size of their projected pension accounts, however they can choose to invest in the alternative retirement path. The Trustee has agreed a matrix designed to identify whether members' projected accounts are likely to be under or over £30,000 at their selected retirement dates. Members whose accounts are likely to be under £30,000 are invested in the cash path and members whose accounts are likely to be £30,000 or over are invested in the income path.

### Shariah Fund option

In 2023 the Trustee introduced the option to allow all members to switch from the default fund and invest into the Shariah SW12 Fund. The Shariah Fund's main objective is to provide good member outcomes at retirement while subject to a level of investment risk appropriate and being Shariah compliant. Members invested in the Shariah Fund do not automatically de-risk eight years prior to retirement. They remain invested in the Shariah Fund until they choose to take their benefits or switch to another fund.

Further details of the default arrangements are given in the Trustee's Statement of Investment Principles which is Appendix 1 to this Chair's statement.

### Charges paid by members

Members of the DC section pay charges for administration and investment management. In addition, there are transaction costs which DC fund investment managers incur as they buy and sell assets to deliver their investment objectives.

- Administration charges are £20 per year and are deducted from members' accounts, either quarterly or monthly. Whitbread Group PLC meets the cost of ensuring that an active member does not pay a charge in excess of 50% of the member's own contribution in any month or if any member has a pot size of £100 or less.
- Investment management charges and transaction costs are not directly deducted from members' accounts, although they do reduce the investment return that members receive.

During the period covered by this Statement, the level of investment charges and transaction charges were:

Fund	Investment management charge	Transaction costs
Whitbread Growth Fund	0.265% - 0.275%	0.137%
Income Retirement Path	0.263% - 0.318% <sup>1</sup>	0.094% – 0.137% <sup>1</sup>
Cash Retirement Path	0.200% - 0.264% <sup>1</sup>	0.013% - 0.135% <sup>1</sup>
Shariah Fund	0.350%	0.034

<sup>1</sup> depending on which year's target date fund the member is invested in - details for each year's target date fund are included at Appendix 3 to this Chair's statement.

At Appendix 2 to this Chair's statement, there are some illustrative examples of the potential impact over time of charges and transaction costs on members' accounts.

The charges and transaction costs have been supplied by Mercer Limited, the Fund's investment manager. When preparing this section of the statement, including Appendices 2 and 3, the Trustee has taken account of the relevant statutory guidance.

## Net Return on Investments

From 1 October 2021 trustees of all relevant pension schemes are required under the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 to calculate and state the return on investments from their funds, net of transaction costs and charges, for all the funds members were invested in over the year to 31 March 2022. The tables in appendix 4 show the performance, net of all charges and transaction costs, of the Mercer Target Cash Retirement strategy, the Mercer Target Drawdown Retirement strategy aged 25, 45 and 55 years and all the funds. These have been prepared in line with statutory guidance

These returns are shown net of all investment charges, including:

- investment management charges and additional expenses;
- the investment platform charge;
- transaction costs.

In addition to the investment charges, which are a percentage of funds under management, a flat fee that covers administration services is also applied to members' accounts. The flat fee, which is £20 per year per member, is deducted from members' accounts to cover member administration services. Whitbread Group PLC meets the cost of ensuring that an active member does not pay a charge in excess of 50% of the member's own contribution in any month or if any member has a pot size of £100 or less. As a result, the impact on performance varies per member, according to the value of members' accounts. As an example, for a member with an account value of £10,000, the impact of the £20 per year fee would be a 0.2% per year reduction to all the investment returns quoted in appendix 4 Tables 1, 2 and 3 (as £20 / £10,000 = 0.2%).

**Note** – the full Chair's statement can be found at [www.merceroneview.co.uk/whitbread](http://www.merceroneview.co.uk/whitbread) as part of the annual report and accounts and will be available from early October 2023.

## **Appendix 1 to Chair's Statement: Statement of Investment Principles**

### **Statement of Investment Principles – 10 September 2020**

#### Introduction

This Statement of Investment Principles (the "Statement") describes the investment policy followed by the Whitbread Pension Trustees (the "Trustee") in investing the assets of the Defined Contribution Section of the Whitbread Group Pension Fund (the "Fund"). The Statement complies with the requirements of the Pensions Act 1995 (the "Act") and subsequent legislation.

In preparing this Statement, the Trustee has consulted Whitbread Group plc (the "Sponsor").

In considering the appropriate investments for the Fund, the Trustee has obtained and considered the written advice of Hymans Robertson LLP, 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).

The Whitbread Group Pension Fund has a separate Defined Benefit Section (the "DB Section") and there is a separate Statement of Investment Principles for the DB Section, however the Trustee recognises that some benefits within the DB Section are provided on a money purchase basis, i.e. AVCs and transfers in, and the Trustee's policy in respect of these assets is covered by this Statement.

Overall investment policy falls into two parts:

- The strategic management of the assets, which is the responsibility of the Trustee acting on advice from its investment consultant and is driven by its investment objectives as set out in Section 1.1 below.
- The day to day management of the assets which is delegated to a professional investment manager as described in Section 1.3 and further details can be found in the Investment Arrangements Document (the "IAD").

To ensure effective management of investment issues associated with the Fund, the Trustee has established a Funding and Investment Committee (FISC) to which it delegates investment implementation including manager selection. The Trustee remains responsible for setting investment strategy.

## **1. Investment Objectives, Risk and Investment Strategy**

### **1.1 Investment Objectives**

The Trustee's main objective is to invest the Fund's assets in the best interests of the members. Within this framework the Trustee has agreed a number of aims to help guide it in its strategic management of the assets and control of the various risks to which the Fund is exposed. The Trustee's primary aims are as follows:

- i. to maximise the value of members' retirement benefits
- ii. to reduce investment risk towards members' retirement in order to reduce the likelihood of significant falls in outcomes close to retirement
- iii. to establish a default investment strategy, which is reasonable for any member not wishing to make his/her own decisions, and
- iv. to avoid overcomplexity in order to keep costs reasonable and facilitate member understanding and engagement.

The Fund offers a default investment option because the Trustee recognises that most members will not want to choose an investment option and because the Fund is a qualifying scheme for auto enrolment purposes and a default fund is a requirement of the Pensions Act 2008. The main objective of the default option is to provide good member outcomes at retirement while subject to a level of investment risk appropriate to the majority of members who do not make an active investment choice.

The Trustee has taken a number of aspects of the membership into account when designing and maintaining the default option. These include age and salary profile, likely sizes of pension account at retirement, and likely benefit choices at and into retirement.

There are two investment glide paths: one designed for members who are expected to take cash at retirement; and the other designed for members who are expected to use Uncrystallised Fund Pension Lump Sums for several years into retirement or Flexible Access Income Drawdown during their retirement. The default option segments members into one of the two glide paths based on the expected size of their pension account at retirement.

The Trustee has decided that the complexity of a large range of investment options from a diverse range of specialist managers will disengage members and offset the benefits of wider choice.

## 1.2 Risk Measurement and Management

There are various risks to which any pension scheme is exposed, all of which contribute to the key risk that members will have insufficient income in retirement or an income that does not meet their expectations. The Trustee has considered risk from a number of perspectives. These are:

- i. the risk that the investment returns underperform the expectation of the Trustee which is managed through the ongoing monitoring of the investment manager's performance
- ii. political risk which is managed by the investment manager
- iii. currency risk which is managed by the investment manager
- iv. communication risk which is managed by the Trustee ensuring that members receive adequate and suitable communications, and
- v. the risk that members are invested in a glide path that does not match how they take their benefits which is managed through the ongoing monitoring of the alignment between the benefits chosen by members and the glide path in which they were invested.

The safe custody of the Fund's assets is delegated to professional custodians (via the use of pooled vehicles).

## 1.3 Investment Strategy

The Trustee has made available to members investment options that it believes will achieve the investment objectives set out above.

The day to day management of the funds has been delegated to an investment manager via a platform, and investment is via a series of pooled funds. The Trustee believes that the investment strategy options are currently appropriate for meeting the Fund's objectives and controlling the risks for the membership as a whole. Details of underlying assets are provided in the Investment Arrangements Document (IAD).

The pooled funds used in the default option invest in a range of assets including UK and overseas equities, UK and overseas bonds and property REITs.

As members approach retirement, their investments automatically switch from a mix of assets which are expected to give long term growth relative to inflation into a mix of assets whose values should fluctuate less in the short term relative to the benefits members are expected to take at retirement.

The Trustee will continue to monitor the appropriateness of the investment strategies.

Periodically, and specifically in the event of a material change in the Fund's circumstances, the Trustee will review whether, and to what extent, the investment arrangements should be altered.

In its assessment of the Fund's investment manager, the Trustee will ask their investment adviser to consider the investment manager's remuneration strategies and appropriateness of each underlying fund's investment guidelines, and at the overall Fund level, to ensure that there is no inducement or scope to take an undue level of risk and that the Fund's investment manager will act in line with the interests of the Fund's members.

In accordance with the 2015 Regulations, the Trustee conducts an annual Value for Members assessment and will take action should the platform and investment provider be found to be giving poor value. In addition, in accordance with guidance from the Pensions Regulator, the Trustee will periodically review the Scheme's choice of provider to ensure their charges and services remain competitive. The Trustee believes that these steps are the most effective way of incentivising the provider to deliver Value for Members, of which investment management charges and investment performance are key considerations.

## Portfolio Turnover

The Trustee has delegated the monitoring of portfolio turnover to the investment manager.

For the Fund's passively managed components, the turnover of holdings is driven by changes in the index a fund seeks to track and hence is outside the control of the investment manager.

The Trustee will monitor, with assistance from its investment adviser, the turnover generated by the use of dynamic asset allocation within the Fund and its impact on long-term absolute performance and whether it has positively contributed to long-term absolute performance.

Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee will ask the investment manager to report on at least an annual basis the details of any transactions and turnover costs incurred over the Fund's reporting year. The Trustee will seek to compare portfolio turnover and the resultant costs against peer groups or portfolio turnover and costs for an appropriate index.

Where the Fund and underlying components have significantly under or outperformed its benchmark, the Trustee will seek to ascertain where necessary whether higher or lower than normal turnover has been a contributory factor (with the assistance of its investment adviser).

## **1.5 Portfolio Duration**

The Trustee recognises the long-term nature of defined contribution pension investments and expects the investment manager to choose funds which deliver sustainable returns over members' investment horizons. The Trustee will assess the investment manager's performance relative to long term objectives and benchmarks.

## **1.6 Realisation of Assets**

The Trustee expects that the investment platform provider and the investment manager will normally be able to sell the funds within a reasonable timescale. There may, however, be occasions where the investment platform or investment manager need to impose restrictions on the timing of sales and purchases of funds (most notably for funds investing in property) in some market conditions to protect the interests of all investors in that fund.

## **1.7 Financially material considerations**

The Trustee recognises that the consideration of financially material considerations, including environmental, social and corporate governance (ESG) factors and climate risk, are relevant to the development, selection and monitoring of the Fund's investment arrangements.

The assets of the Defined Contribution Section of the Fund are managed in pooled fund arrangements selected by the investment manager. Given this structure, the Trustee cannot adopt an approach to managing financially material considerations which is specific to the Fund.

The investment manager has a clearly articulated Sustainable Investment Policy covering its approach to ESG factors; sustainability themes; climate change; stewardship (voting and engagement) and screening or exclusions. The Trustee has reviewed this policy and expects the investment manager to follow it when selecting and monitoring underlying pooled funds.

## **1.8 Non-financial factors**

Given the objectives of the Fund, the Trustee has not considered any non financially material factors in the development and implementation of its investment strategy.

The Trustee has not imposed any restrictions or exclusions to the investment arrangements based on non financially material factors.

## **1.9 Voting and engagement**

The Trustee believes that engagement with the companies in which the Fund invests, including the proactive use of shareholder voting rights, can improve the longer term returns on the Fund's investments.

The Trustee have adopted a policy of delegating voting decisions and engagement with companies, via the investment manager, to the underlying pooled fund managers who are expected to exercise voting rights and engage with the key stakeholders on individual investments.

They are expected to do so in accordance with their own corporate governance policies, and taking account of current best practice, including the UK Corporate Governance Code and the UK Stewardship Code.

The Trustee will request, where appropriate and practicable, that the investment manager notifies the Trustee of any issue on which it may be beneficial for the Trustee to undertake further engagement. The Trustee will seek to review engagement activity undertaken by the fund managers as part of its broader monitoring activity

## **Monitoring the Investment**

The Trustee will meet with the investment manager at least annually to review its actions together with the reasons for and background to the investment performance. The Trustee sets the agenda for these meetings which will include ESG factors, voting and engagement where appropriate.

The Trustee will also receive regular written reports from the investment manager regarding performance and adherence to its Sustainable Investment Policy. The Trustee expect this to include information on the voting activity of underlying pooled fund managers as well as the direct activity of the investment manager.

## **2. Additional Voluntary Contributions**

Additional voluntary contributions can be made – details of which can be found in the IAD.

## **3. Investment Manager Fees**

The investment manager's fees are calculated dependent on the underlying pooled funds – details of which can be found in the IAD. Fees will be reviewed by the Trustee as part of the overall value for money assessment.

#### **4. Regulatory Changes**

The Fund is a qualifying scheme for auto enrolment purposes, and it must comply with the relevant regulations.

In summary, the Trustee acknowledges that it has to:

- i. regularly monitor the charges for the default to ensure that the charges on default investments do not exceed the cap
- ii. make certain that core financial transactions are quickly and correctly processed
- iii. make arrangements to monitor all the funds' charges and transaction costs
- iv. determine the criteria for, and make an assessment of, whether the investment options available deliver value for money for members
- v. articulate and formally assess the performance of its default investment strategy, and
- vi. prepare an annual statement about its governance activities

#### **5. Professional Investment Advice**

The Trustee has appointed Hymans Robertson LLP ("Hymans") to provide advice on all aspects of investment facing the Fund, ranging from strategic advice to the selection of investment managers. Hymans is typically remunerated on a fixed fee basis. For work which is not covered within the core fixed fee, and for which it is not practical to quote for on a fixed fee basis, Hymans may be remunerated on a time cost basis, i.e. reflecting the time spent on a particular issue.

#### **6. Compliance with this Statement**

The Trustee will monitor compliance with this Statement annually.

#### **7. Review of this Statement**

The Trustee will review this Statement in response to any material changes to any aspect of the Fund, which it judges to have a bearing on the stated investment objectives and arrangements.

This review will occur no less frequently than every three years and will include a review that the choice of funds remains appropriate. Any such review will again be based on written expert advice and the Sponsor will be consulted.

## Appendix 2 to Chair's Statement: Potential impact over time of charges and transaction costs

The tables below show the potential impact over time of charges and transaction costs on the pension accounts of 'typical members' in the Defined Contribution sections of the Fund.

Tables 1, 2, 3 and 4 relate to 'Section A'. This is the section for members who have been automatically enrolled and for those who chose to join before April 2018 and, when the new 'Pension Options' were introduced in April 2018, they did not choose one of these new options.

Tables 5, 6, 7 and 8 relate to members in the 'Pension Options' section.

The values in all the tables are estimates only based on a number of assumptions and are not guaranteed:

- Contributions are assumed to be paid every year with no breaks.
- Inflation and pay increases are assumed to be 2.5% each year. This is not a commitment that pay increases will be at the rate of 2.5% each year.
- Values are shown in today's terms, and do not need to be further reduced for inflation.
- The projected values are shown up to age 65, the standard normal retirement age for members of the Fund.
- Assumed to be invested in the Whitbread Growth Fund until eight years prior to retirement and then invested in the cash retirement path (tables 1 and 5), the income retirement path (tables 2 and 6) or opt to remain invested within the Mercer Growth Fund (tables 3 and 7) during the eight years prior to retirement or opt to invest in and remain in the Shariah Fund (tables 4 and 8). This reflects the default investment arrangements which are explained in the Chair's Statement.
- Assumptions about investment returns and costs and charges, are shown in table 9 on the next page.

In preparing these illustrations, the Trustee has taken account of statutory guidance.

Table 1			Table 2			Table 3			Table 4		
Years from now	Account before Charges	Account after all charges are taken	Years from now	Account before Charges	Account after all charges are taken	Years from now	Account before Charges	Account after all charges are taken	Years from now	Account before Charges	Account after all charges are taken
0	£0	£0	0	£0	£0	0	£0	£0	0	£0	£0
1	£3,316	£3,187	1	£3,316	£3,187	1	£3,316	£3,187	1	£3,316	£3,190
3	£9,763	£9,157	3	£9,763	£9,155	3	£9,763	£9,155	3	£9,763	£9,177
5	£17,569	£16,198	5	£17,569	£16,192	5	£17,569	£16,192	5	£17,569	£16,257
10	£27,023	£24,541	10	£27,023	£24,529	10	£27,023	£24,529	10	£27,023	£24,669
15	£38,471	£34,437	15	£38,471	£34,416	15	£38,471	£34,416	15	£38,471	£34,673
20	£52,335	£46,183	20	£52,335	£46,148	20	£52,335	£46,148	20	£52,335	£46,578
25	£69,122	£60,125	25	£69,122	£60,069	25	£69,122	£60,069	25	£69,122	£60,744
30	£88,215	£75,708	30	£88,422	£75,730	30	£89,452	£76,593	30	£89,452	£77,606
35	£95,151	£81,349	35	£96,045	£81,747	35	£98,737	£84,036	35	£98,737	£85,216
40	£100,547	£85,700	40	£102,921	£87,066	40	£108,762	£92,008	40	£108,762	£93,377
43	£102,329	£87,109	43	£105,982	£89,423	43	£114,070	£96,204	43	£114,070	£97,675

Tables 1, 2, 3 and 4 are based on a member who:

- Is in Section A.
- Is age 22 (with 43 years to retirement) which is the age of the youngest member in Section A.
- Has just joined the Fund so currently has an account of zero.
- Has total annual gross pay of £13,218. which means that pensionable pay is £10,860.
- Is paying 5% of pensionable pay to the Fund with Whitbread paying 3%, so a total of 8% which is the rate for Section A.
- Is invested in the Whitbread Growth Fund until eight years prior to retirement and then invested in the cash retirement path (table 1) or the income retirement path (table 2) during the eight years prior to retirement, or opts to remain invested within the Mercer Growth Fund (table 3) or opts to invest and remain invested in the Shariah Fund (table 4)

Table 5		
Years from now	Account before Charges	Account after all charges are taken
0	£17,774	£17,665
1	£45,373	£44,381
3	£78,794	£76,055
5	£119,266	£113,637
10	£165,989	£156,277
15	£183,893	£172,570
20	£199,019	£186,291
25	£204,819	£191,527

Table 6		
Years from now	Account before Charges	Account after all charges are taken
0	£17,774	£17,665
1	£45,373	£44,373
3	£78,794	£76,029
5	£119,266	£113,583
10	£166,376	£156,395
15	£185,591	£173,480
20	£203,612	£189,285
25	£211,955	£196,591

Table 7		
Years from now	Account before Charges	Account after all charges are taken
0	£17,774	£17,665
1	£45,373	£44,373
3	£78,794	£76,029
5	£119,266	£113,583
10	£168,275	£158,142
15	£190,661	£178,213
20	£214,829	£199,708
25	£227,624	£211,020

Table 8		
Years from now	Account before Charges	Account after all charges are taken
0	£17,774	£17,673
1	£45,373	£44,477
3	£78,794	£76,337
5	£119,266	£114,238
10	£168,275	£159,337
15	£190,661	£179,692
20	£214,829	£201,514
25	£227,624	£213,008

- Tables 5, 6, 7 and 8 are based on a member who:
- Is age 39 (with 26 years to retirement) which is the average age for members who have chosen one of the 'Pension Options'.
- Currently has an account of £12,857 which is currently the average account size for members who have chosen one of the 'Pension Options'.
- Has basic pay of £31,259.00. per annum.
- Has chosen to join the 7% 'Pension Option' and Is paying 7% of basic pay to the Fund with Whitbread paying 7%, so a total of 14% which is the average rate, weighted by basic pay, for members who have chosen one of the 'Pension Options'.
- Is invested in the Whitbread Growth Fund until eight years prior to retirement and then invested in the cash retirement path (table 5) or the income retirement path (table 6) during the eight years prior to retirement or opts to remain invested within the Mercer Growth Fund (table 7) or opts to invest and remain invested in the Shariah Fund (table 8).

Table 9: Assumptions about future investment returns, costs and charges				
Fund	Investment Return	Administration Charge (£ p.a.)	Investment management charges( % p.a.)	Transaction Cost (% p.a.)
Cash Path	4.0% p.a. above inflation for members further than 8 years from age 65  Reducing gradually to 0.75% p.a. below inflation for members at or beyond age 65	20	0.20 - 0.27	0.03 - 0.16
Drawdown Path	4.0% p.a. above inflation for members further than 8 years from age 65  Reducing gradually to be in line with inflation for members at or beyond age 65	20	0.26 - 0.32	0.09- 0.16
Mercer Growth Fund	4.0% p.a. above inflation	20	0.27	0.16
Mercer Shariah Fund	4.0% p.a. above inflation	20	0.35	0.02

**Appendix 3 to Chair's Statement: Investment management charges and transaction costs during the year**

<b>Fund Name</b>	<b>Investment Management Charge</b>	<b>Transaction costs</b>
Mercer Growth SW12	0.265% - 0.275%	0.137%
Mercer Cash Retirement Fund SW12	0.210%	0.013%
Mercer Target Cash 2023 Retirement SW12	0.202%	0.021%
Mercer Target Cash 2024 Retirement SW12	0.200% - 0.204%	0.030%
Mercer Target Cash 2025 Retirement Fund SW12	0.201% - 0.207%	0.052%
Mercer Target Cash 2026 Retirement Fund SW12	0.203% - 0.209%	0.074%
Mercer Target Cash 2027 Retirement SW12	0.204% - 0.219%	0.095%
Mercer Target Cash 2028 Retirement Fund SW12	0.213% - 0.235%	0.108%
Mercer Target Cash 2029 Retirement SW12	0.227% - 0.250%	0.117%
Mercer Target Cash 2030 Retirement SW12	0.241% - 0.264%	0.126%
Mercer Target Cash 2031 Retirement SW12	0.254%	0.135%
Mercer Drawdown Retirement Fund SW12	0.288%	0.094%
Mercer Target Drawdown 2023 Retirement SW12	0.303%	0.098%
Mercer Target Drawdown 2024 Retirement SW12	0.288% - 0.292%	0.102%
Mercer Target Drawdown 2025 Retirement Fund SW12	0.308% - 0.313%	0.113%
Mercer Target Drawdown 2026 Retirement Fund SW12	0.310% - 0.318%	0.126%
Mercer Target Drawdown 2027 Retirement SW12	0.300% - 0.307%	0.128%
Mercer Target Drawdown 2028 Retirement Fund SW12	0.290% - 0.295%	0.130%
Mercer Target Drawdown 2029 Retirement SW12	0.280% - 0.284%	0.132%
Mercer Target Drawdown 2030 Retirement SW12	0.271% - 0.273%	0.135%
Mercer Target Drawdown 2031 Retirement SW12	0.263%	0.137%
Mercer Shariah 12	0.350%	0.034%

<sup>1</sup> investment management charges and transaction costs are for the twelve months to 31 March 2023

## Appendix 4 to Chair's Statement: Investment performance, net of all charges and transaction costs

Table 1 – Mercer Target Cash Retirement Strategy Investment Returns

Age of member at start of period	Annualised returns to 31 March 2023 (% p.a.)	
	1 Year (% p.a.)	5 Years (% p.a.)
25	-3.5	5.0
45	-3.5	5.0
55	-3.5	3.8

Source: Scottish Widows and Mercer estimates, net of all investment charges. Returns shown are the annual geometric average. For the investment returns net of all member borne charges, an adjustment relating to the administration charge needs to be applied to the figures shown above, by subtracting the percentage that the flat fee of £20 per year per member (or the relevant fee that is deducted) represents over each member's total account value. As an example, for a member with an account value of £10,000, the impact of the £20 per year fee would be a 0.2% per annum reduction to all the investment returns.

Table 2 – Mercer Target Drawdown Retirement Strategy Investment Returns net of all member-borne charges and transaction costs

Age of member at start of period	Annualised returns to 31 March 2023 (% p.a.)	
	1 Year (% p.a.)	5 Years (% p.a.)
25	-3.5	5.0
45	-3.5	5.0
55	-3.5	4.8

Source: Scottish Widows and Mercer estimates, net of all investment charges. Returns shown are the annual geometric average. For the investment returns net of all member borne charges, an adjustment relating to the administration charge needs to be applied to the figures shown above, by subtracting the percentage that the flat fee of £20 per year per member (or the relevant fee that is deducted) represents over each member's total account value. As an example, for a member with an account value of £10,000, the impact of the £20 per year fee would be a 0.2% per annum reduction to all the investment returns.

Table 3 – Investment Returns for all funds

	1 Year (% p.a.)	5 Years (% p.a.)
Mercer Growth	-3.5	5.0
Mercer Drawdown Retirement Fund	-2.0	2.7
Mercer Target Drawdown 2023 Retirement Fund <sup>(a)</sup>	-2.5	4.1
Mercer Target Drawdown 2024 Retirement Fund	-2.9	4.4
Mercer Target Drawdown 2025 Retirement Fund	-3.4	4.5
Mercer Target Drawdown 2026 Retirement Fund	-3.5	4.6
Mercer Target Drawdown 2027 Retirement Fund	-3.5	--
Mercer Target Drawdown 2028 Retirement Fund	-3.5	--
Mercer Target Drawdown 2029 Retirement Fund	-3.6	--
Mercer Target Drawdown 2030 Retirement Fund	-3.5	--
Mercer Target Drawdown 2031 Retirement Fund <sup>(b)</sup>	--	--

	1 Year (% p.a.)	5 Years (% p.a.)
Mercer Cash Retirement Fund	2.1	0.6
Mercer Target Cash 2023 Retirement Fund <sup>(a)</sup>	0.6	3.5
Mercer Target Cash 2024 Retirement Fund	-1.6	3.6
Mercer Target Cash 2025 Retirement Fund	-3.8	3.3
Mercer Target Cash 2026 Retirement Fund	-6.0	3.0
Mercer Target Cash 2027 Retirement Fund	-6.5	--
Mercer Target Cash 2028 Retirement Fund	-5.6	--
Mercer Target Cash 2029 Retirement Fund	-4.8	--
Mercer Target Cash 2030 Retirement Fund	-4.0	--
Mercer Target Cash 2031 Retirement Fund <sup>(b)</sup>	--	--
Mercer Shariah <sup>(b)</sup>	--	--

Source: Scottish Widows and Mercer estimates, net of all investment charges. Returns shown are the annual geometric average. For the investment returns net of all member borne charges, an adjustment relating to the administration charge needs to be applied to the figures shown above, by subtracting the percentage that the flat fee of £20 per year per member (or the relevant fee that is deducted) represents over each member's total account value. As an example, for a member with an account value of £10,000, the impact of the £20 per year fee would be a 0.2% per annum reduction to all the investment returns.

-- 5 Year performance not available as the fund was launched after 31 March 2018.

<sup>(a)</sup>The fund was closed in February 2023. 1 year and 5 years performance to 31 March 2023 is shown for performance measurement purposes.

<sup>(b)</sup>1 year and 5 year performance to 31 March 2023 not available as the fund was launched in February 2023.