UNILEVER PENSION PLAN OFP

Institution for Occupational Retirement Provision
Authorised on 06/09/1993
FSMA identification number: 50.125
Registered office:
Industrielaan 9
1070 Brussels
Company number : 0409.606.947

DEFINED BENEFIT IRELAND COMPARTMENT

STATEMENT OF INVESTMENT POLICY

September 2023

Section 1 – Purpose

1.1 The Unilever Pension Plan (the "**UPP**") is registered in Belgium as an "OFP" (Organisation for Financing of Pensions) under the Belgian law of 27 October 2006 on the supervision of institutions for occupational retirement provision (IORP Act) and related regulations. The OFP is recognised authorised by Royal Decree of 6 September 1993 and registered with the FSMA with number 50.125. The OFP is extended with multiple separate funds within the meaning of article 80 of the IORP Act (Compartments) as from 1 October 2023.

The Employer provides pension benefits to certain current and former employees within the DB Ireland Compartment of the Unilever Pension Plan (the "Plan"). For the avoidance of doubt, any reference to the Plan in this statement of investment policy (the "Statement") shall be construed as a reference to the Pension Fund for and on behalf of the DB Ireland Compartment. In addition, capitalized terms used and not otherwise defined in this Statement shall have the meaning assigned to them in the Rules. The Plan is principally a defined benefits arrangement, which is closed to new hires. Benefits are provided on a final salary basis for pensionable service up to 30 May 2014, and on a career average basis for pensionable service after 30 May 2014. The objective is to provide members with pension benefits at retirement, which will increase in line with the inflation rate in Ireland, subject to an annual cap. The prudent and effective management of the Plan's assets will have a direct impact on the achievement of the objective.

1.2 The investment policy is intended to ensure the performance targets of the Plan will be financed at the best possible performance/investment ratios. The goals of the investment policy are Security, Income, Liquidity and Availability and are consistent with the Plan's objectives. The Plan's risk capacity has to be taken into account adequately.

1.3. This Statement addresses the manner in which the Plan's assets constituting the Plan shall be invested. Investments shall be selected in accordance with the criteria and limitations set forth herein and in accordance with all relevant legislation. The Statement has been prepared by the Board together with the Committee to ensure continued prudent and effective management of the Plan. The Statement also defines the management structure and other procedures adopted for the ongoing operation of the Plan. The Statement complies with all relevant legislation.

1.4 The Plan adheres to all local regulations and legislation.

2.2 The Board is responsible for the overall management of the Plan but has delegated via a Board resolution certain functions to the Committee as further described in this Statement including *inter alia* to monitor and review all aspects of the Plan's investments on its behalf. The Committee will update the Board at least annually on the Plan's investments and seek Board for any changes to the Statement, the services providers or investment strategy/philosophy before implementation. The responsibilities set out below are subject to the delegation described in this paragraph.

2.3 The Committee shall in relation to the investments of the compartment:

- establish and adopt the Statement;
- review the investment structure and ensure the Plan complies with the Belgium legislative framework;
- review the Statement every three years unless certain events or developments make an earlier review necessary, and confirm or amend it as needed;
- select and appoint the Custodian with Board approval to hold the assets of the Plan;
- select and appoint the Investment Manager(s) with Board approval;
- evaluate quantitatively and qualitatively each Investment Manager performance at least annually. The review shall include a comparison of the rates of return achieved relative to the objectives established, an analysis of the reasons for such returns, and an assessment of the risk taken in the pursuit of such returns as well as assessing their capability to add value in the future;
- delegate tasks relating to the overall management of the Plan to selected employees of the Employer and/or to selected agents retained by the Board; and

The summary of duties shown below for each agent of the Plan are not shown as being fully inclusive; this can be found in the contract with each agent.

The Investment Managers

2.4 The Investment Managers shall:

- perform the duties required of the Investment Manager pursuant to agreements (including, for the avoidance of doubt, investment management agreements) entered into from time to time with the Pension Fund for the DB Ireland Compartment;
- meet with the Committee at least annually to present their analysis of the investment performance and to describe their current and future investment strategies regarding their specific investment mandates; and
- provide the DB Ireland Compartment, on a quarterly basis, with summaries of the performance of each fund during the past quarter.

The Custodian

2.5 The Custodian shall:

- perform the regular duties required of the Custodian by Law; and
- perform the duties required of the Custodian pursuant to agreements entered into from time to time with the Pension Fund for the DB Ireland Compartment.

The advisor - Univest Company BV

2.6 Univest Company is a global unit in which investment expertise of Unilever pension funds is centralized worldwide. Univest Company operates independently and provides services to Unilever's large and medium-sized pension funds. The role of Univest Company includes:

- advising the Board of Directors and Committee on the investment policy
- support to the Board of Directors and Committee in the implementation of the strategic investment plan (SIP) within the specified ranges
- support to the Board of Directors and Committee in the selection of investment funds
- supporting the Board of Directors and Committee in the selection and appointment of investment managers
- monitoring and following up the investment managers for the purpose of evaluation by the Board of Directors and Committee
- monitoring and following up on the identified risks
- taking care of the investment reports to the Board of Directors and Committee

Section 3 – Plan Characteristics

Plan Characteristics

3.1 The Plan is a defined benefits pension scheme. The Employer contributes to the Plan at a level determined by the Financing Plan.

3.2 Retirement benefits are provided on the regular retirement date. Besides partners' pensions, orphans pensions are provided as described in the Rules. The participant can opt to retire at another date than the regular retirement date in which case the pensions shall be recalculated based on the same actuarial value.

3.3 All benefits are in Euros. Changes are not permitted unless there are extenuating circumstances and agreed by the Board.

3.4 The duration of the liabilities equals approximately 17 years.

Section 4 – Investment Objectives and Principles

Investment Objectives

4.1 The Committee shall manage the Plan on a going concern basis, with the objectives of:

- The primary purpose of the Plan is to guarantee the accrued pension, which will increase in line with the inflation rate in Ireland, subject to an annual cap.

- The structure must allow the Plan to manage the investment risks.

Investment Principles

4.2 The Committee believes that the investment policy should include a sizeable proportion of investment in bonds. For the most part, investments are limited to marketable securities traded on recognised/regulated markets. The Committee will continue to adopt a switching mechanism, designed to switch assets from Return Seeking assets (*i.e. assets required to generate a return in excess of liabilities. Examples include equities, property, corporate bonds, hedge funds, high yield bonds, emerging market debt). These assets can be volatile relative to the liabilities but are expected to generate a higher return*) to Liability Matching assets (*i.e. assets that closely match the return required to keep pace with liabilities. These assets tend to be less volatile relative to the liabilities but are expected to generate less return over the long term than return seeking; examples include government bonds, cash and certain derivative investments*) when certain pre-defined funding level triggers are reached (as set out in section 6).

The Committee shall from time to time review its investment principles.

Investment Management Structure

4.3 The Committee has established the investment management structure to maximise the use of Univest, Unilever's Group investment pooling vehicle. The advantages of investing via Univest include:

- Simplifying the implementation of strategic asset allocation decisions
- Selection of 'best of class' asset managers
- More diversified manager structure which aims to achieve a higher expected return with lower volatility
- Better leverage of economies of scale
- Efficient governance structure
- Lower administrative and monitoring burdens for local plans
- Enhanced returns from bundling of securities lending and commission recapture as well as more efficient cash flow management

Univest will have the following active mandates:

- Global bonds (primarily corporate) and Emerging Market sovereign bonds
- Global equities
- Emerging market equities
- Diversified Income Fund

Particulars of the mandates and performance objectives of the Investment Managers are contained in Section 7. The Committee keeps these mandates under review and if there is a need, then the mandates may be adjusted or extended.

Section 5 – Legal / Corporate Requirements and Regulations

Legal Requirements

5.1 The Plan shall comply with all relevant government legislation and financial services regulations of Belgium, as they apply to an OFP.

Corporate Requirements

5.2 The Plan shall comply with all Corporate Investment Policy requirements, unless by so doing the Plan would not comply with 5.1.

Section 6 – Asset Allocation/ Permitted Investments and Constraints

Asset Allocation

6.1 The strategic allocation of the assets is viewed by the Committee as the most important means of controlling the balance between risk and expected return of the Plan. The assets are invested in a way appropriate to the nature and duration of the liabilities. The following strategic asset allocation has been chosen:

6.2 Having had regard to the nature and duration of the expected future retirement benefits, the Committee has established that the investment strategy described below prudently positions the portfolio so as to aim to achieve the Board's objectives.

6.3 The Committee recognises that even though the Plan's investment values are subject to short-term volatility, it is critical that a long-term investment focus be maintained. The Committee intends to avoid ad-hoc revisions to its philosophy and policies in reaction to either speculation or short-term market fluctuations (see de-risking policy below for more detail).

6.4 The Committee adopted a de-risking policy whereby investment risk was reduced based on a pre-defined set of economic funding level (the "Economic Funding Level") trigger points.

6.5 The Board agreed to adopt a switching mechanism, designed to switch assets from Return Seeking assets to Liability Matching assets when certain pre-defined funding level triggers were reached. The table below reflects that, due to the funding position of the Plan, the final de-risked asset allocation has been reached and therefore no further switches will be made.

Asset Class	***Allocation***
	%
Global Developed Equities (Univest Sustainable World Equity Sub-Fund)	*5*
Diversified Income Fund (DIF)	*10*
Total Return Seeking Assets	**15**
Global Sovereign Bond Fund	*10*
Global Sustainable Credit Bonds Sub-Fund	*35*
LDI (Fixed Income and Swap Overlay)	*40*
Liability Matching Assets	**85**
Total	**100**
Hedge Ratio	
Interest	*90%*
Inflation	*90%*

Notes:

1) The expected return (without taking into account the expected additional returns due to active management) shown in note 2 below is based on the independent Investment Consultant's (Mercer) future expected risk and return assumptions. The assumptions used were as of 31 December 2020 included in the last Asset Liability Modelling (ALM) study.

2) Mercer 10-year Euro assumptions as at 31/12/2020 used as part of the stochastic asset ALM study to determine the chosen portfolio. The 10-year expected return was calculated as +0.8% p.a. above the Euro long dated SWAP curve, and the VAR in (1 year,95) was estimated to be Euro 18m.

3) Assets on 31/12/2020 were Euro 350m

4) No currency restrictions applied. However, in practice, 90% of the assets are Euro denominated or their currency exposure is hedged back into Euro, therefore currency mismatch is limited versus that of liabilities. The Committee believes that such an exposure is acceptable as part of a diversified investment portfolio. The exposure to non-Euro currency assets will be reviewed as part of the overall monitoring of the Investments by the Committee

5) Fixed Income is predominantly Investment grade bond (albeit managers have some flexibility to hold downgraded bonds) and there is circ. 50% non-investment grade exposure to securities in DIF.

Note: Tolerance rebalancing ranges are set at +/- 4% around each asset/manager category.

The Liability Matching assets will comprise allocations to cash, core Eurozone government bonds and corporate bonds together with an interest rate and inflation swap overlay to reduce the interest rate and inflation sensitivity mismatch of assets relative to liabilities. The target for the liability matching portfolio is to broadly match the interest rate and inflation sensitivities of the liabilities. This is done on a phased basis as set out in the table shown above.

Permitted Investments and constraints

6.6 The Plan's assets are invested exclusively in the Investment Managers pooled funds (except for LDI assets) and so the Investment Managers shall be governed by the investment management agreements to be entered into from time to time in order to determine the rules governing their discretionary investment mandate and the relevant investment benchmarks. The LDI assets are managed on a segregated basis.

The Committee as delegated by the Board is engaged in an ongoing process of monitoring the funds in order to ensure funds remain consistent with the guidelines of the pooled funds which were assessed at the time of selection.

6.7 Any changes to the Investment Managers need to be approved by the Board.

6.8 The FSMA should be informed of any changes to the Statement. A change in Underlying Fund or Benchmark (sections 6.9 and 7.3) is not considered as a change to the Statement.

Valuation of assets

6.9 The value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends declared and interest accrued, and not yet received shall be deemed to be the full amount thereof, unless, however, the same is unlikely to be paid or received in full, in which case the value thereof shall be determined after making such discount as the Board may consider appropriate to reflect the true value thereof;

6.10 The value of transferable securities, money market Instruments and any financial assets listed or dealt in on a regulated market, or stock exchange shall be based on the last available price on the relevant market which is normally the principal market of such assets;

6.11 In the event that any assets are not listed or dealt in on any regulated market, any stock exchange, or if, with respect to assets listed or dealt in on any such markets, the price as determined pursuant to paragraph (b) is, in the opinion of the Committee, not representative of the fair market value of the relevant assets, the value of such assets will be based on the reasonably foreseeable sales price determined prudently and in good faith by the Committee;

6.12 The Board may authorise the use of the amortised cost method of valuation for short-term transferable debt securities. This method involves valuing a security at its cost and thereafter assuming a constant amortization to maturity of any discount or premium regardless of the impact of fluctuating interest rates on the market value of the security or other instrument. While this method provides certainty in valuation, it may result in periods during which the value as determined by amortised cost, is higher or lower than the price the Plan would receive if it sold the securities. For certain short term transferable debt securities, the yield to a shareholder may differ somewhat from that which could be obtained from a similar fund which marks its portfolio securities to market each day;

6.13 The liquidating value of futures, forward or options contracts not traded on regulated markets, or stock exchanges shall mean their net liquidating value determined, pursuant to the policies established prudently and in good faith by the Board, on a basis consistently applied for each different variety of contracts. The liquidating value of futures, forward or options contracts traded on regulated markets or stock exchanges shall be based upon the last available settlement prices of these contracts on regulated markets or stock exchanges on which the particular futures, forward or options contracts are traded; provided that if a futures, forward or option contract could not be liquidated on the day with respect to which net assets are being determined, the basis for determining the liquidating value of such contract shall be such value as the Board may deem fair and reasonable;

6.14 Units or shares of open-ended undertakings for collective investment (“UCIs”) will be valued at their last determined and available net asset value or, if such price is not representative of the fair market value of such assets, then the price shall be determined by the Committee on a fair and equitable basis. Units or shares of a closed-ended UCI will be valued at their last available stock market value;

6.15 Interest rate swaps will be valued at their market value established by reference to the applicable interest rates curve. Index and financial instruments related swaps will be valued at their market value established by reference to the applicable index or financial instrument. The valuation of the index or financial instrument relating swap agreement shall be based upon the market value of such swap transaction established in good faith. Total return swaps will be valued on a consistent basis;

6.16 All other securities and assets will be valued at fair market value as determined in good faith pursuant to procedures established by the Committee.

Section 7 – Investment Manager Structure

7.1 The Committee with Board approval has selected and appointed Univest (Managed by Northern Trust Luxembourg Management Company) to manage a number of mandates as outlined below. The Committee with Board approval has also selected and appointed Blackrock to manage on a discretionary basis the cash, core Eurozone government bond and swap components of the Liability Matching Assets portfolio of the Plan by investing in accordance with its discretionary investment mandate.

7.2 Market movements will lead over time to a portfolio that differs from the long-term strategic asset allocation outlined earlier, and the desired split between the appointed Investment Managers will also vary over time for this reason. The desire to maintain this constant strategic mix and/or split between Investment Managers must be balanced with the cost of portfolio rebalancing. As a specialist Investment Manager structure is in place, no single Investment Manager has control over this overall asset allocation and the Committee shall instead review this mix using the allowable ranges above for guidance. Rebalancing will take place where viewed appropriate. Cash-flow shall be used to aid rebalancing where the opportunity arises.

7.3 The performance objectives for the appointed Investment Managers are as follows:

Investment Manager	Fund	Benchmark	Performance Objective
Total Return Portfolio			
Univest FCP	Sustainable World Equity Sub-Fund (SWESF)	iSTOXX Univest World Index	Benchmark net of mgmt fees over rolling 3-year periods
Univest IV	Diversified Income Fund	Euribor 6m plus 150bps	To at minimum meet benchmark p.a. net of mgmt. fees over rolling 3-year periods

Investment Manager	Fund / asset / technique	Benchmark	Performance Objective
Liability matching portfolio			
Univest FCP	Global Sustainable Credit Bonds Sub-Fund	ICE BofAML Q772 Custom Index (hedged to Euro)	Benchmark +0.4% net of fees, with a maximum tracking error of up to 2%% over 3-year periods
Univest FCP	Global Developed Sovereign Bond Fund	50% nominal BofAML Custom Index + 50% Euro Inflation-Linked BofAML Index	Exceed benchmark p.a. net of mgmt fees over rolling 3-year periods

Blackrock	Fixed Income	Composite (75% Cash: 6 month Euribor, 25% Euro zone Sovereign Bonds: 4 Jul 2040,75% Bund)	Benchmark + 0.5% p.a. gross of mgmt fees with a maximum tracking error of 1.5% over rolling 3-year periods
Blackrock	Swap overlay	Composite (Nominal Swaps and Inflation Swaps)	

7.4 Performance is evaluated against these objectives on at least an annual basis, with a comprehensive review every three years.

7.5 Reasons for Termination of the Investment Managers:

The Committee shall from time-to-time determine whether any or all of the Investment Managers should be replaced. Although not limited to the reasons set out below, the Committee may replace a Investment Manager due to:

- change in business management/augmentation;
- breach of contract: whereby the breach is of such severity that the scheme does not retain confidence in the Investment Manager;
- loss of key staff: key staff largely responsible for the Investment Manager's high rating leave the firm;
- change of process: may show an internal lack of confidence in the Investment Manager's own process; and
- investment performance is lower than expected.

Section 8 – Monitoring & Reporting

8.1 The Board has, under its overall responsibility delegated to a Committee who are responsible for the ongoing monitoring of all arrangements in relation to the Plan as detailed in paragraph 2.2. The Board and the Committee will carry out this function in compliance with local regulation and legislation as well as the Corporate Investment Policy.

8.2 The Committee, with the assistance of relevant advisors, will ensure that reviews are carried out as follows:

- Investment Managers – there will be formal reporting requirements to facilitate the continuous monitoring of the Investment Managers. On a formal basis, the Board and Committee will formally review the Plan's Investment Managers at least every three years. This review will focus on the conditions and terms of the Investment Managers' agreements, and achievement or otherwise of the investment objective; and
- Custodian– On a formal basis, the Committee will review the Custodian at least every three years. Performance will be evaluated against stated objectives and formal operating agreement (the "Service Level Agreement").

8.3 Univest Company will regularly draw up an analysis of the returns of the investments:

- On a quarterly basis, a performance overview is made and the relative return of each asset class and the total Plan return compared to the respective benchmark are displayed over different periods. These periods are: the last 3 months, year to date, 1 year, 3 years, 5 years and since inception (if longer than 5 years);
- On a quarterly basis, a market commentary is provided and specific commentary on the performance of the investment managers and the evolution of the assets.
- On a yearly basis a summary of main investment transactions
- Univest Company is responsible for the ESG oversight and monitoring of the investment managers and will report to the Board on how their sustainable investment policy is implemented.

Upon request, additional information is collected and/or analysis is made for the Committee and/or Board of Directors.

Section 9 – Custody

9.1. Custody

9.1.1 The Committee with Board approval have appointed Northern Trust Global Services SE to fulfil the role of Custodian. Northern Trust Global Services SE will be responsible for carrying out the relevant functions in connection therewith listed in Section 2 above.

9.1.2 The details of the arrangement between the Plan and Northern Trust Global Services SE acting in its capacity as Custodian are set out in the Custody Agreement dated 7th August 2023 and the Service Level Agreement.

Section 10 – ESG

10.1 ESG considerations are taken into account in the selection, retention and realisation of investments to the extent that they are relevant in assessing the future prospects of specific investments. The Committee and Board do not take any non-financial matters (i.e., matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) into account in the selection, retention and realisation of investments. The UPP's ESG statement is included in Annex 1.

10.2 Corporate governance activities have been delegated to the Plan's investment managers with the understanding that they will exercise voting rights in the best long-term financial interests of the assets that they manage. The Committee and Board may consider appointing a specialist ESG engagement organisation depending on the underlying funds/investment managers it appoints in the future, The Committee and Board may, from time to time, ask the Plan's investment managers or (specialist ESG engagement organisation if appointed) to explain their corporate governance policy and practices, and review voting activities.

Section 11 – Sustainability related disclosures

11.1 Pursuant to EU Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the “SFDR”), the Plan is required to disclose the manner in which Sustainability Risks (as defined below) are integrated into the investment decision and the results of the assessment of the likely impacts of Sustainability Risks on the returns of the Plan.

Sustainability Risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investments made by the Plan.

Such risk is principally linked to climate-related events resulting from climate change (also known as Physical Risks) or to the society’s response to climate change (also known as Transition Risks), which may result in unanticipated losses that could affect the Plan investments and financial condition. Social events (e.g. inequality, inclusiveness, labour relations, investment in human capital, accident prevention, changing customer behaviour, etc.) or governance shortcomings (e.g. recurrent significant breach of international agreements, bribery issues, products quality and safety, selling practices, etc.) may also translate into Sustainability Risks.

The Plan does not actively promote ESG characteristics/sustainability factors and does not maximize portfolio alignment with sustainability factors, however it remains exposed to Sustainability Risks. Such Sustainability Risks are integrated into the investment decision making and risk monitoring to the extent that they represent a potential or actual material risks and/or opportunities to maximizing the long-term risk-adjusted returns.

The impacts following the occurrence of a Sustainability Risk may be numerous and vary depending on the specific risk, region and asset class. In general, where a sustainability risk occurs in respect of an asset, there will be a negative impact on, or entire loss of, its value.

The Plan has a diversified portfolio. Therefore, the Plan will be exposed to a broad range of Sustainability risks, which will differ from company to company. Some markets and sectors will have greater exposure to Sustainability Risks than others. For instance, the energy sector is known as a major Greenhouse Gas (GHG) producer and may be subject to greater regulatory or public pressure than other sectors and thus, greater risk. However, it is not anticipated that any single Sustainability Risk will drive a material negative financial impact on the value of the Plan considering its diversification.

The Committee does not consider the adverse impacts of its investment decisions on sustainability factors as there are insufficient data available of satisfactory quality to allow the Committee to adequately assess the potential adverse impact of its investment decision on sustainability factors.

11.2 Notwithstanding the above, the investments underlying the Plan do not take into account the EU criteria for environmentally sustainable economic activities which are determined by the Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, as amended from time to time.

Section 12 – Risk Management

12.1. The Committee and Board of Directors have identified a number of risks in relation to the investments.

- Poor investment returns
- Poor choice of manager
- Inappropriate strategic asset allocation
- Inappropriate level of risk in the investment strategy
- Interest rate and inflation risk
- Currency Risk & Inappropriate currency hedging arrangements.
- Lack of diversification in the investment strategy
- Liquidity profile is not appropriate for the current or longer-term strategy
- Stock market crash due to catastrophic event e.g., war, disaster
- Stock market Volatility due to significant financial or external event
- Variance between LDI investment and manager mandate
- ESG Risks : Failure to capture major ESG risks (like climate risk)

Annex 2 provides a summary of the risks and how they are managed. This summary should be read in conjunction with the risk policy and the risk register. The Daily Management team and the risk manager will, based on the monitoring by Univest Company, follow up the risks and report annually to the Committee and Board of Directors.

Section 13 – Statement Review

The Committee as delegated by the Board shall review the Statement every three years unless certain events or developments make an earlier review necessary, taking into account whether any developments such as the following have occurred:

- governance changes;
- changing investment beliefs;
- new investment products;
- changes to legislation;
- any practical issues that arise from the application of the Statement; and
- changes to resources used to implement strategy.

Any changes to the Statement need to be approved by the Board and ratified by the General Assembly.

Approved and Adopted by
The Board of the Unilever Pension Plan on 21 September 2021 and ratified at the General Meeting of 28 September 2023

Annex 1 – The UPP's ESG statement

THE UNILEVER PENSION PLAN (UPP)
ESG Statement

We, the Directors of the Unilever Pension Plan, believe that investing responsibly, looking at both explicit financial factors and environmental, social and governance (ESG) factors, allows us to better assess the value and performance of an investment over the medium to long-term. Responsible investing is about generating a long-term risk adjusted return aligned with the Fund's objectives, whilst at the same time promoting a stable, well-functioning and well governed social, environmental and economic system on which long-term sustainable returns are dependent. The Directors are signatories to the United Nations Principles for Responsible Investment (UNPRI) through the Unilever Pension Funds umbrella agreement.

It is our view that ESG factors can offer portfolio managers added insight into the quality of a company's management, culture, risk profile and other characteristics, which in turn allows them to find companies who;

- Are leaders in their industries
- Are better managed and are more forward-thinking
- Are better at anticipating and mitigating risk
- Meet positive standards of corporate responsibility
- Are focused on the long term

This statement is owned by the UPP Board. Day to day management and oversight of the implementation is delegated to the Univest Company and overseen by the UPP Board.

Implementation of Guidelines: DB Compartments

Investment strategy and decisions

We allocate the Fund's assets in a manner that is aligned with the long-term interests of our beneficiaries considering future financial returns and the resilience of those returns. Amongst other things, the investment service providers are requested to take account of ESG risks in our risk management policies and, where appropriate, identify ESG opportunities when making investment decisions.
Where appropriate our investment service providers integrate ESG factors into investment decision-making across asset classes. Some asset classes, allow for more thorough integration than others.

Investment manager selection and monitoring

On our behalf, the Univest Company incorporate ESG factors into the process for selecting and monitoring investment managers. They seek to promote the inclusion of ESG factors into the investment decision-making of external asset managers and therefore include sustainability factors in contracts, where appropriate. Within our manager selection process, for monitoring purposes, where appropriate the Univest Company, on our behalf, uses third party research which allows them to engage with external managers on ESG integration as well as make informed decisions. On public equity portfolios they work with a third party ESG research provider who applies a screen to external asset managers' investment portfolios to assess the extent to which those portfolios have more or less favourable ESG characteristics than the benchmark. This analysis allows us to gain insight into the sustainability of the underlying investments. They use this analysis as a basis for dialogue with the asset managers.

Active Ownership

Often in collaboration with like-minded investors, Univest on occasion may use our position to seek positive changes in corporate behaviour with respect to ESG issues, voting on and engaging with companies as well as participating in public policy matters. These active ownership efforts, sometimes called stewardship, we believe can promote a stable, well-functioning and well governed social, environmental and economic system. In helping us to fulfil our duties as an active owner, the Univest Company will sometimes work with a third party. Through that third party, we seek to ensure that when appropriate our holdings are voted on consistently, across our portfolios and that engagement activities are executed by professionals with experience in this area. On our behalf, the third party can also work to help establish and maintain effective regulatory regimes in the various markets in which we invest to encourage governance structures that facilitate accountability of companies to their owners, give companies the certainty they need to plan for the future and to level the playing field to ensure companies are not disadvantaged for prioritising long-term profitability.

This document is not a static document and will be updated from time to time.

Implementation of Guidelines: DC Compartment

The assets are invested in pooled funds, but the Directors do require all underlying equity managers to have a ESG policy in place and to be signatories to the UN PRI as a minimum, for their fund to be made available to members. ESG factors are an important consideration within the manager selection process, and so the Directors do ask the investment managers to take all matters into account in the selection, retention, and realisation of investments to the extent that they are materially relevant in assessing the future prospects of specific investments, including ESG considerations.

The underlying investment managers have full discretion in evaluating Sustainability factors, including climate change considerations. The selected Fixed income managers must also take ESG risk factors into account when appropriate. Voting and engagement activities are carried out by the investment managers, who have full discretion. The Directors invest in a Sustainable Multi factor Equity fund with one of the underlying managers. Due to the importance of ESG, it was decided that this fund should be included within the default investment option, it now provides all the DC Compartment’s Global Developed Equity holdings.

Annex 2 – Risk Management of Investments

Below is a summary of the Investment Risks and how they are managed:

Investment Risk	Risk management comment
Poor investment returns Poor choice of manager Inappropriate strategic asset allocation Inappropriate level of risk in the investment strategy	All assets are externally managed by specialist investment managers. Univest Company and Mercer provide investment oversight. Investment performance updates provided to Compartment members quarterly. Investment Managers regularly reviewed by Univest. The ISC keeps the investment strategy under review through its quarterly meetings Compartment members also take appropriate advice on investment strategy/asset classes and undertake necessary training. Environmental, Social and Governance aspects are considered as part of the investment strategy discussions.
Interest Rate and Inflation Risk	Eurozone inflation expectations and interest rates form part of the bases used to calculate liability values. Movements in these market rates can serve to materially increase or decrease the values placed on the liabilities. The liability hedging portfolio has been constructed to partially offset such liability movements by investing in Eurozone bonds and Euro denominated swaps. However, risks remain since the portfolios do not completely hedge interest and inflation rates
Currency Risk & Inappropriate currency hedging arrangements.	Currency risk arises in the portfolios which comprise the growth portfolio of the Scheme. Non Euro exposure can be positive as well as negative and consequently due to cost and diversification reasons the Compartment members based on strategic advice view some non Euro-currency exposure as positive. The credit portfolios, Emerging Markets Debt (Partially hedged) and Diversified Income Fund (DIF) are € hedged share classes . It is not cost efficient to hedge every currency exposure of the growth portfolio as the scale of some exposures will be too small. Currency risk is managed in the liability hedging portfolio by investing in €-hedged share classes, in Eurozone sovereign bonds and Euro denominated swaps.
Lack of diversification in the investment strategy.	The ISC and Univest review each asset category on a periodic basis. Investments monitored and reported on a quarterly basis.
Liquidity profile is not appropriate for the current or longer-term strategy	Investments monitored and reported on a quarterly basis. Univest receive a detailed Quarterly report from the LDI manager and they have follow up calls. The compartment members aim to meet the LDI manager on at least a bi-annual basis.
Stock market crash due to catastrophic events e.g., war, disaster Stock market Volatility due to significant financial or external event	The risk of stock market volatility cannot be eliminated but this compartment has a relatively low allocation to equity. As long-term investors the risk in the long term should be remote, however it is partially controlled by investing in

	liability hedging assets and through the de-risking programme which seeks to increase the allocation to liability hedging assets over time. Such assets include sovereign bonds, corporate credit and swaps of high credit quality. Associates and advisors closely following external market developments and potential impact. Contingency plans are in place where appropriate. The ISC and compartment members monitor this closely.
Variance between the liability profile of the Fund and the LDI investments and manager mandate	The primary drivers of variability between the changes in the value of the liabilities and changes in the value of the LDI investments are the target interest rate and inflation hedge ratios. These are set by the Committee, currently both at 90%. The LDI manager is responsible for maintaining the hedge ratios at the target level. The structure and profile of the hedge is delegated to the LDI manager, with certain constraints. Oversight of the LDI manager mandate has been delegated to the ISC and Univest. Additional sources of variability in the relative performance of the assets and liabilities are: 1) Active management decisions taken by the LDI manager to achieve their outperformance target, and; 2) Drift between the sensitivities of the LDI manager's benchmark (proxy cashflows) and those of the actual liability cashflows, driven by changes in expected inflation relative to caps in the benefit structure, transfers out of the plan and membership changes. The LDI manager is provided with an updated benchmark at least annually to manage this drift. An assessment* is also carried out by the Committee's advisor on a quarterly basis to check whether an interim liability benchmark update is warranted as a result of movements in inflation expectations.
ESG Risks : Failure to capture major ESG risks (like climate risk)	Investments with poor Governance or lack of a feasible strategy to cope with Social or Environmental risks could be negatively impacted. Environmental, Social and Governance aspects are considered as part of the investment strategy discussions

Note:* *Inflation is capped at 4%. This cap in the benefit structure limits the liabilities' sensitivity to inflation above this level. To ensure that desired asset sensitivity relative to the liability sensitivity (hedge ratio) is maintained, the asset sensitivity must be reduced when inflation rises above the cap, or increased when inflation falls back below a cap level after going above it. The change in the sensitivity of the cashflows as inflation moves above/below the cap level is not captured by the LDI manager. The investment consultant monitors this and if there is a significant change in inflation expectations (e.g. 50bps) above or below the cap then the LDI manager is provided with a new liability benchmark in order to ensure hedging remains at the desired level. The Investment consultant monitors this and reports quarterly.*