

Catalent UK Retirement and Death Benefit Plan (the "Plan") **DB Section - Statement of Investment Principles ("SIP")**

This Statement sets out the Principles governing decisions about the investments of the Plan. The Principles outlined in this Statement of Investment Principles became effective following the delegation of certain decision making powers by the Trustee to Aon Investments Limited (the "Fiduciary Manager").

INVESTMENT OBJECTIVE

As trustee of the Plan, Catalent UK Swindon Pension Scheme Trustee Limited (the "Trustee") aims to invest the assets of the Plan prudently with the intention that the benefits promised to members are provided. In setting investment strategy, the Trustee first considered the lowest risk asset allocation that it could adopt in relation to the Plan's liabilities. The target return it has selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Plan's liabilities.

The overall objective has been agreed with the Employer and is to set an investment strategy which targets an expected return over the liabilities (as valued by gilt yields) to best meet member's benefits whilst reducing reliance on the Employer.

STRATEGY

The current **target return** chosen to meet the objective above is set out in the table below. The Fiduciary Manager is given discretion to adjust the asset allocation according to market views in order to achieve the target return over the long term.

	Target Return (in excess of growth in liabilities) % p.a.
Investment Portfolio	1.0

The investment portfolio's asset allocation will consist of a liability hedging component, and a growth component.

The liability hedging component of the assets matches part of the interest rate and inflation sensitivity of the liabilities by investing in interest rate and inflation hedging instruments. The Trustee also agreed to include credit exposure, through the use of synthetic credit, in the liability hedging component with the aim to provide a flexible way to better match to insurer pricing. The agreed synthetic credit hedge level is 20% of the value of the Investment Portfolio.

The growth component of the assets seeks, in combination with the liability hedging component, to achieve a return above the liabilities. Investments can include, but are not restricted to equities, return-seeking bonds, property, hedge funds and other absolute return mandates along with other asset classes that help generate or diversify returns.

The target return was determined with regard to the actuarial characteristics of the Plan, in particular the strength of the funding position and the liability profile. The Trustee's policy is to make the assumption that equities and other growth assets will outperform gilts over the long

term and assumes that active fund management can be expected to add value. However, the Trustee recognises the potential volatility in growth asset returns, particularly relative to the Plan's liabilities and the risk that the underlying asset managers do not achieve the targets set.

When choosing the Plan's investment objective the Trustee considered advice from its investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

In addition, the Trustee also consulted with the sponsoring employer when setting this strategy.

RISK

The Trustee maintains this 'Statement of Funding Principles' which specifies that the funding objective is to have sufficient assets so as to make provision for 100% of the Plan's liabilities as determined by an actuarial calculation.

The Trustee recognises that the key risk to the Plan is that it has insufficient assets to make provisions for its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause deterioration in the Plan's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustee and its advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Plan's immediate liabilities ("cash flow risk"). The Trustee and its advisers, together with the Fiduciary Manager, will manage the Plan's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the underlying asset managers chosen by the Fiduciary Manager to achieve the rate of investment return assumed by the Trustee ("manager risk"). This risk is considered by the Trustee, its advisers and the Fiduciary Manager both upon the initial appointment of the underlying asset managers and on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustee has partially delegated this decision to the Fiduciary Manager. This risk was considered by the Trustee and its advisers when setting the Plan's investment strategy. The Fiduciary Manager also considers this risk when implementing the strategy.
- The possibility of failure of the Plan's sponsoring employer ("covenant risk"). The Trustee considered this risk when setting the investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
- The risk of the assets not moving in line with buy-in pricing from an insurer, thereby potentially increasing the buy-in deficit.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews. In particular, the mismatching risk was modelled explicitly as part of the most recent investment strategy review.

The Trustee's intended policy is to monitor, where possible, these risks periodically. The Trustee receives quarterly reports showing:

- Performance versus the Plan's investment objective.
- Performance of the Fiduciary Manager and the underlying asset managers chosen by the Fiduciary Manager versus target.
- Any significant issues with the underlying asset managers chosen by the Fiduciary Manager that may impact their ability to provide the service agreed by the Trustee.

IMPLEMENTATION

The Fiduciary Manager

The Trustee has delegated all day-to-day decisions in respect of the Plan's investments to the Fiduciary Manager through a written contract including the allocation of assets between different asset classes and the appointment and monitoring of underlying asset managers. When choosing asset classes and underlying asset managers, the Trustee and Fiduciary Manager are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The Fiduciary Manager's responsibilities include:

- Realisation of investments;
- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of underlying asset managers; and
- Delegating voting and corporate governance as required for the underlying asset managers to meet the performance objectives of the investments they hold.

The Fiduciary Manager is paid on an ad valorem basis.

The Trustee expects the Fiduciary Manager to handle the assets delegated to them under the terms of the contract and to enact the principles in this statement so far as is reasonably practicable.

The underlying asset managers are remunerated on an ad valorem basis. The level of remuneration paid to the underlying asset managers is reviewed regularly by the Fiduciary Manager.

In addition, the underlying asset managers may pay commissions to third parties on trades they undertake in the management of the assets and also incurs other ad hoc costs. The Fiduciary Manager receives statements from the underlying asset managers setting out these costs and reviews them regularly to ensure that the costs incurred are commensurate with the goods and services received.

The Investment Adviser

The Trustee's investment adviser Aon Investments Limited (AIL) has the knowledge and experience required under the Pensions Act 1995.

AIL has been selected as investment adviser to the Trustee. AIL is paid on a pre-agreed fixed fee or time and material basis for the work it undertakes for the Plan which is not included within the Fiduciary Manager's fee.

The Custodian

The Fiduciary Manager has appointed BNY Mellon as the Plan's custodian. The custodian provides safekeeping for all the Plan's assets and performs the administrative duties including the collection of interest and dividends and dealing with corporate actions.

ENVIRONMENTAL, SOCIAL, and GOVERNANCE CONSIDERATIONS ("ESG")

The Trustee considers investment risk to include ESG factors and climate change. These risks could negatively impact the Plan's investments. The Trustee considers these risks by taking advice from its investment adviser.

The Trustee has appointed the Fiduciary Manager to manage the Plan's assets. The Fiduciary Manager invests in a range of underlying investment vehicles.

As part of the Fiduciary Manager's management of the Plan's assets, the Trustee expects the Fiduciary Manager to:

- Where relevant, assess the integration of ESG factors in the investment process of underlying asset managers;
- Use its influence to engage with underlying asset managers to ensure the Plan's assets are not exposed to undue risk; and
- Report to the Trustee on its ESG activities as required.

Members' Views and Non-Financial Factors

In setting and implementing the Plan's investment strategy the Trustee does not explicitly take into account the views of Plan members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"^[1]).

STEWARDSHIP

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests, as ultimately this creates long-term financial value for the Plan and its beneficiaries.

The Trustee has delegated all voting and engagement activities to the Plan's investment managers, via its Fiduciary Manager. The Trustee accepts responsibility for how the managers steward assets on its behalf, including the casting of votes in line with each manager's individual voting policies.

The Trustee annually reviews the stewardship activity of the Fiduciary Manager to ensure the Plan's stewardship policy is being appropriately implemented in practice. As part of the Fiduciary Manager's management of the Plan's assets, the Trustee expects the Fiduciary Manager to:

- Ensure that (where appropriate) underlying asset managers exercise the Trustee's voting rights in relation to the Plan's assets; and
- Report to the Trustee on stewardship activity carried out by the Fiduciary Manager, including detailed voting and engagement information from underlying asset managers.

Managers are expected to vote at company meetings and engage with companies on the Trustee's behalf in relation to ESG considerations and other relevant matters (such as the companies' performance, strategy, risks, capital structure, and management of conflicts of interest). Annual reporting will be made available to Plan members on request.

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Plan, in particular where: votes were cast against management; votes against management generally were significant; votes were abstained

^[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

Where voting is concerned, the Trustee expects the underlying managers to recall stock lending, as necessary, in order to carry out voting actions.

The Trustee may engage with its Fiduciary Manager, who in turn is able to engage with underlying asset managers, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made.

This engagement aims to ensure that robust active ownership behaviours are being actioned. This will take the form of interactive dialogue via email and at regular and/or ad-hoc meetings as required and will be supplemented by annual reporting which will be made available to Plan members on request.

Should the Trustee's monitoring process reveal that a manager's voting and engagement policies and actions are not aligned with the Trustee's expectations, the Trustee will engage with the Fiduciary Manager to discuss how alignment may be improved to bring about the best long-term outcomes for the Plan.

Arrangements with asset managers

The Trustee recognises that the arrangements with its Fiduciary Manager, and correspondingly the underlying asset managers, are important to ensure that interests are aligned. In particular, the Trustee seeks to ensure that the Fiduciary Manager is incentivised to operate in a manner that generates the best long-term results for the Plan and its beneficiaries.

The Trustee receives regular reports and updates from the Fiduciary Manager on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan objectives, and assess the Fiduciary Manager over the long term.

The Trustee shares the policies, as set out in this SIP, with the Plan's Fiduciary Manager and request that they review and confirm whether their approach is in alignment with the Trustee's policies.

The Trustee delegates the ongoing monitoring of underlying asset managers to the Fiduciary Manager. The Fiduciary Manager monitors the Plan's investments to consider the extent to which the investment strategy and decisions of the underlying asset managers are aligned with the investment objectives of the Plan.

This includes monitoring the extent to which the underlying asset managers:

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

Before appointment of a new Fiduciary Manager, the Trustee will review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where required, the Trustee will seek to amend that documentation or express its expectations (such as through side letters, in writing, or verbally at Trustee meetings) so that there is more alignment.

The Trustee believes that having appropriate governing documentation, setting clear expectations to the Fiduciary Manager, and regular monitoring of the Fiduciary Manager's performance and investment strategy, is sufficient to incentivise the Fiduciary Manager to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where the Fiduciary Manager is considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically engage with the Fiduciary Manager to understand the circumstances and materiality of the decisions made.

There is typically no set duration for arrangements with the Fiduciary Manager, although the continued appointment will be reviewed periodically. Similarly, there are no set durations for arrangements with the underlying asset managers that the Fiduciary Manager invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place. For certain closed ended vehicles, the duration may be defined by the nature of the underlying investments.

Cost monitoring

The Trustee is aware of the importance of monitoring the total cost of investment management and the impact these costs can have on the overall value of the Plan's assets. The Trustee recognises that in addition to annual management charges, there are other costs incurred by underlying asset managers that can increase the overall cost incurred by their investments.

The Trustee receives annual cost transparency reports from its Fiduciary Manager. These reports present information in line with prevailing regulatory requirements for Fiduciary Managers. They clearly set out on an itemised basis:

- The total amount of investment costs incurred by the Plan;
- The fees paid to the Fiduciary Manager;
- The fees paid to the underlying asset managers appointed by the Fiduciary Manager;
- The amount of portfolio turnover costs (transaction costs) incurred by the underlying asset managers appointed by the Fiduciary Manager;
 - The Trustee defines portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the underlying asset managers appointed by the Fiduciary Manager;
- Any charges incurred through the use of pooled funds (custody, administration, and audit fees)
- The impact of costs on the investment return achieved by the Plan.

The Trustee acknowledges that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager. The Fiduciary Manager monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the underlying asset managers appointed on behalf of the Trustee.

The Trustee benefits from the economies of scale provided by the Fiduciary Manager in two key cost areas:

- The ability of the Fiduciary Manager to negotiate reduced annual management charges with the appointed underlying asset managers;
- The ability of the Fiduciary Manager to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the underlying asset managers and achieve efficiencies where possible;

Evaluation of performance and remuneration

The Trustee assesses the (net of all costs) performance of its Fiduciary Manager over the long term against the Plan's specific liability benchmark and investment objective. The remuneration paid to the Fiduciary Manager and fees incurred by third parties appointed by the Fiduciary Manager are provided annually by the Fiduciary Manager to the Trustee. This cost information is set out alongside the performance of the Fiduciary Manager to provide context. The Trustee monitors these costs and performance trends over time.

GOVERNANCE

The Trustee is responsible for the investment of the Plan's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision making structure:

<p>Trustee</p> <ul style="list-style-type: none"> ○ Set structures and processes for carrying out its role ○ Monitor actual returns versus the Plan's investment objective ○ Monitor the Fiduciary Manager and the underlying asset managers chosen by the Fiduciary Manager ○ Set Plan's objectives vs the liabilities ○ Set any investment restrictions 	<p>The Fiduciary Manager ("AIL")</p> <ul style="list-style-type: none"> ○ Set the strategy for investing in different asset classes in line with the investment objective ○ Determine strategy for selecting underlying asset managers ○ Implement the investment strategy ○ Select and appoint underlying asset managers ○ Monitor underlying asset managers ○ Adjust asset allocations to reflect medium term market expectations ○ Take into account ESG considerations and stewardship responsibilities ○ Report on asset performance against the liability benchmark ○ Report on asset returns against objectives ○ Communicate any significant changes to the investment arrangements ○ Monitoring a proxy of the funding level on monitoring days and changing the asset allocation as specified in the flight plan
<p>Investment adviser ("AIL")</p> <ul style="list-style-type: none"> ○ Advise on investment strategy ○ Advise on the investment liability benchmark ○ Review the Statement of Investment Principles ○ Advise on appropriateness of service provided by the Fiduciary Manager ○ Advise on direct investments ○ Carry out further project work when required ○ Provide required training 	

The Pensions Act 1995 distinguishes between investments where the management is delegated to a underlying asset manager under a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments**.

The Trustee's policy is to review its direct investments and to obtain written advice about them annually. These include vehicles available for members' AVCs. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the underlying asset managers.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the underlying asset managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The Trustee will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

Signed for and on behalf of Catalent UK Swindon Pension Scheme Trustee Limited, as trustee of the Catalent UK Retirement and Death Benefit Plan

Signed

Name

Date

Signed

Name

Date

Effective date: November 2023