Napp Pharmaceutical Group Pension Scheme

Statement of Investment Principles – September 2020

1. Introduction

Napp Pension Trustees Limited ("the Trustee"), the corporate trustee of the Napp Pharmaceutical Group Pension Scheme ("the Scheme") has drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the following legislation:

- Pensions Act 1995 as amended by the Pensions Act 2004 and subsequent legislation; and
- The Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments.

In preparing this Statement, the Trustee has consulted the Principal Employer (see Section 14) to ascertain whether there are any material issues of which the Trustee should be aware in agreeing the Scheme's investment arrangements.

2. Process For Choosing Investments

The process for choosing investments is as follows:

- Identify appropriate investment objectives;
- Agree the level of risk consistent with meeting the objectives set; and
- Construct a portfolio of investments that is expected to maximise the return (net of all costs) given the targeted level of risk.

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

3. Investment Objectives

3.1 Defined Benefit Section

The Trustee's objective is to invest the Scheme's assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries.

To guide them in their strategic management of the assets and control of various risks to which the Scheme is exposed, the Trustee (in consultation with the Company) has adopted the following objectives:

- To make sure that obligations to the beneficiaries of the Scheme are met.
- To pay due regard to Napp Pharmaceutical Holdings Limited's interests in the size and incidence of the employer's contribution payments.

3.2 Defined Contribution Section

The Trustee's objectives are:

- To provide a range of investment options which seek to provide access to high real long term returns to maximise the benefit received by the member at retirement, and to consolidate investment gains through a more conservative strategy in the run up to retirement.
- To identify a number of investment vehicles which together aim to:
  - maximise the value of members' retirement benefits during the bulk of their working lives by targeting equity investments; and
  - protect the value of investment gains as members approach retirement by investing in cash and bonds.
- To allow Members to tailor their investment choices to meet their own needs.
- To avoid over-complexity in the range of investment options in order to control administration costs and facilitate employee understanding.

To meet these objectives the Trustee has selected a range of passively invested funds for Members to select from. Members are advised to seek independent financial advice if they are unsure as to the appropriate investment strategy for their needs.

4. Risk Management and Measurement

There are various risks to which any pension scheme is exposed. The Trustee has considered separately the risks to which each section of the Scheme is exposed, and has formulated the following policies on risk management:

4.1 Defined Benefit Section

- The primary risk upon which the Trustee focuses is that arising through a mismatch of interest rate and inflation sensitivity between the Scheme's assets and its liabilities. The Trustee increased the allocation to bonds during 2018 and 2019 in order to increase the interest rate and inflation exposures of the assets and reduce the mismatch risk between the assets and liabilities. The Trustee has also appointed a specialist Liability Driven Investment ("LDI") manager, specifically to manage mismatching risk relating to interest rates and inflation.
- The Trustee recognises that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's accruing liabilities as well as producing more short-term volatility in the Scheme's funding position. The Trustee has taken advice on the matter and (in light of the objectives noted previously) considered carefully the implications of

adopting different levels of risk. In November 2019, following an improvement in the Scheme's funding level, the Trustee reduced the allocation to growth assets to reduce downside risk.

- The Trustee recognises the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustee aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. Due to the size of the Scheme's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles.

- There is the risk that active management could result in underperformance against the relevant benchmark. The Trustee recognises that such a risk exists and has taken the decision that the majority of the Scheme's assets should be managed passively.

- The documents governing the manager appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme. The investment managers are prevented from investing in asset classes outside their mandate without the Trustee's prior consent.

- Arrangements are in place to monitor the Scheme's investments to help the Trustee determine that nothing has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, the Trustee meets regularly with the Scheme's investment managers and receives regular reports from the investment managers and Mercer.

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

- The Trustee recognises that currency risk exists when investing in assets denominated in a foreign (non-sterling) currency due to foreign exchange rate fluctuations affecting the value of those assets when translated into the home currency (sterling). The Trustee has taken steps to mitigate this by introducing a degree of currency hedging within the overseas developed equity assets.

- The Trustee recognises that Environmental, Social and Governance ("ESG") issues, including climate change, may have substantive impacts on the global economy and subsequently investment returns as presented by different climate-related risk factors. The Trustee seeks to manage this risk by monitoring and reviewing that the fund managers the Scheme employs are suitably experienced to consider these risks in the services they provide to the Scheme.

Should there be a material change in the Scheme's circumstances, the Trustee will review whether and to what extent the investment arrangements should be altered; in particular, whether the current risk profile remains appropriate.

4.2 Defined Contribution Section

- The Trustee recognises the risk that the investment return over Members' working lives may not secure an adequate pension. The Trustee has made available a number of equity based strategies which seek to maximise the real value of each Member's investment when the member has a long period to retirement.

- The Trustee recognises the risk that relative market movements in the years just prior to retirement may lead to a substantial reduction in a member's pension and/or tax-free cash. The Trustee has made available bond funds and a cash fund to enable Members to help control this risk. In addition, a lifestyling strategy is available which seeks to reduce this risk by progressively switching a member's investments to bonds and cash as their retirement approaches.

- There is the risk that active management could result in underperformance against the relevant benchmark. The Trustee recognises that such risk exists and has only made passively managed funds available.

- The Trustee recognises the risk arising from the lack of diversification of investments. The Trustee therefore has made available a range of investment options in pooled funds, to enable members to achieve a diversified holding.

- Arrangements are in place to monitor the Scheme's investment options to help the Trustee determine that nothing has occurred that would bring into question the continuing suitability of the current options. To facilitate this, the Trustee receives regular reports from the investment manager and Mercer.

- The safe custody of the Members' assets is delegated to professional custodians via the use of pooled vehicles.

5. Investment Strategy

5.1 Defined Benefit Section

In November 2019, the Trustee agreed to de-risk the investment strategy by reducing the target allocation to growth assets from 50% to 40% and increasing the target allocation to bonds from 50% to 60%.

Taking into account their investment objectives, the Trustee has targeted the high level investment strategy detailed in the table below.

Asset Class	**Target Allocation (%)**
Equities	27.2
Diversified Growth	7.8
Property	5.0
Total Growth	***40.0***
Fixed Income Portfolio	20.0
Liability Driven Investment Portfolio	40.0
Total Matching	***60.0***
Total Scheme	**100.0**

The Trustee will consider the allocation of the assets from time-to-time and consider rebalancing towards the targets outlined above if there is a material deviation. There is currently a policy to not set a minimum allocation to growth assets (see Rebalancing and Cashflow Policy below) as the long term direction for the investment strategy is expected to involved further de-risking over time.

The target allocations and rebalancing ranges within the elements of the growth portfolio managed by BlackRock are set out on the next page.

BlackRock Portfolio – Growth Assets

Asset Class	**Target Allocation (%)**	**Range (%)**
UK Equity	7.58	+/- 2.0
US Equity	11.86	+/- 3.0
US (GBP hedged) Equity	11.86	+/- 3.0
Europe (ex-UK) Equity	9.43	+/- 2.0
Europe (ex-UK) (GBP hedged) Equity	9.43	+/- 2.0
Japan Equity	4.67	+/- 1.5
Japan (GBP hedged) Equity	4.67	+/- 1.5
Pacific Rim Equity	4.67	+/- 1.5
Pacific Rim (GBP hedged) Equity	4.67	+/- 1.5
Emerging Market Equity	8.94	+/- 2.0
Diversified Growth	22.22	+/- 2.0
Total	**100.00**	

BlackRock Portfolio – Fixed Income and Liability Driven Investment Portfolios

BlackRock manages two further portfolios on behalf of the Scheme: the Fixed Income Portfolio and the Liability Driven Investment (“LDI”) Portfolio.

The Fixed Income Portfolio comprises an investment in BlackRock’s Aquila Life Over 15 Year Corporate Bond Index Fund only.

BlackRock is permitted to invest in a range of unlevered passive gilt funds and Liability Matching Funds (“LMFs”) within the LDI Portfolio. The LMFs provide the flexibility to increase the Scheme’s hedge ratio without increasing the proportion of assets invested in the LDI portfolio by using leverage. BlackRock will allocate to a combination of unlevered passive gilt funds and LMFs which best matches the liability profile of the Scheme and achieves the target hedging level. .The Trustee will review the hedging portfolio from time-to-time and consider opportunities to increase hedging levels.

The Trustee, having taken expert advice from Mercer, believes that the targeted asset mix is currently appropriate for meeting the objectives and controlling the risks outlined in Sections 3.1 and 4.1 respectively.

The Trustee regularly reviews the continued appropriateness of the Scheme’s investment strategy including consideration of asset classes other than those in which the Scheme already invests.

Rebalancing and Cashflow Policy

The Trustee has a policy of having no minimum allocation to the growth assets and no maximum allocation to the bonds (fixed income and LDI portfolios). This policy, agreed previously following consultation with the Company, reflects the fact that over time the Trustee intends to further de-risk the investment strategy by reducing the allocation to growth assets when it is deemed appropriate to do so.

BlackRock will automatically rebalance assets within the growth portfolio that they manage, should the assets fall outside of the ranges set out in the table above. However, no automatic rebalancing is carried out between the growth assets and matching portfolio.

The Trustee will review the asset mix at each quarterly meeting and will consider taking action to bring the Scheme back in line with the target allocations. Additionally, target allocations will be taken into account when processing investments or disinvestments that are required to meet cashflows.

5.2 Defined Contribution Section

The Trustee believes, having taken expert advice from Mercer, that it is appropriate to offer a range of passively managed investment funds in order to meet the Members' investment needs and to reduce the risk of an active manager underperforming its benchmark. The nine funds that are currently available are:

'Growth' Funds	**'Protection' Funds**
Global Equity (40 UK / 60 Overseas)	Corporate Bonds
UK Equity	Index-Linked Gilts
Overseas Equity	Pre-Retirement
Diversified Growth (x2)	Cash

- The three equity funds have been selected with the aim of targeting real long-term growth.
- The two diversified growth funds have been selected with the aim of targeting a level of real growth similar to that of equity funds, but with a lower level of volatility over the long-term.
- The three bond and cash (or "Protection") funds have been selected with the aim of protecting the purchasing power of Members' savings in the years approaching retirement.

In addition to the nine fund options set out above, Members who do not wish to set their own investment strategy can opt for a choice of three lifestyle arrangements (the 'lifestyle options') which operate under pre-determined investment strategies.

Lifestyle Options

There are currently three lifestyle strategies available to members:

- Cash Lifestyle Strategy (the default investment option)
- Annuity Lifestyle Strategy
- Income Drawdown Lifestyle Strategy

Default Investment Option

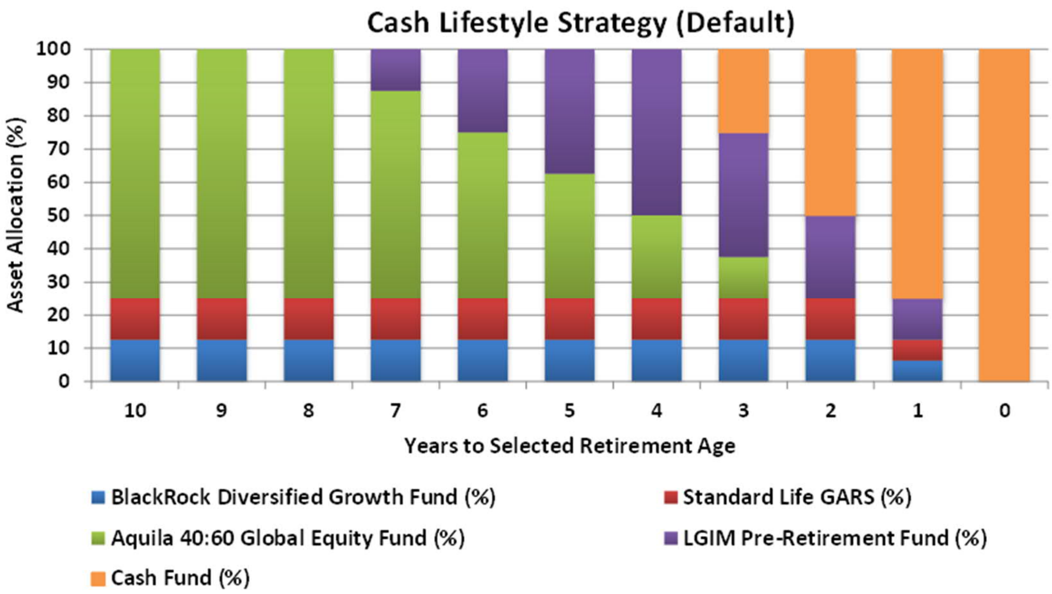
Typically, a proportion of members will actively choose the default option because they feel it is most appropriate for them. However, the vast majority of DC scheme members do not make an active investment decision and are invested in the default option.

The Trustee has decided that the default, for those members who have not selected an investment option themselves, will be the Cash Lifestyle Strategy for all members apart from those who were within five years of retirement as at the date of implementation of the new investment strategy (May 2015). The default for those members within five years of retirement as at the date of implementation is the Annuity Lifestyle Strategy.

The Cash Lifestyle Strategy is designed to be suitable for members who intend to withdraw their entire pension savings as cash upon retirement. As such, this strategy is 100% invested in the Cash Fund at retirement.

The allocation for this strategy will gradually switch out of a globally diversified portfolio of return seeking assets (equities and diversified growth funds) into initially the LGIM Pre-Retirement Fund and then into cash with this strategy 100% invested in the Cash Fund once a member reaches their Selected Retirement Age. The intermediate allocation is made to a bond fund, the LGIM Pre-Retirement Fund, as the fund's bond holdings are expected to offer a modest return with a relatively low level of absolute risk.

The switching will occur broadly in line with the distributions below:



The aims of the Cash Lifestyle Strategy (default investment option)

The aim of the Cash Lifestyle Strategy is to achieve real long-term growth while aiming to protect capital value of investments as a member approaches retirement.

The Cash Lifestyle Strategy manages investment and other risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. Any investment in derivative instruments contributes to risk reduction, or efficient portfolio management.

- In designing the Cash Lifestyle Strategy, the Trustee has explicitly considered the trade-off between risk and expected returns.
- If members wish to, they can opt to choose their own investment strategy or an alternative lifestyle strategy on joining but also at any other future date.
- Assets in the Cash Lifestyle Strategy are invested in the best interests of members and beneficiaries, taking into account the profile of members.
- Assets in the Cash Lifestyle Strategy are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.

- Assets are invested mainly on regulated markets (those that are not are kept to prudent levels).

Policies in relation to the default investment option

In addition to the Trustee's Investment Objectives, the Trustee believes that:

- The growth phase structure of each lifestyle strategy, which invests in equities and other growth-seeking assets, will provide growth with some downside protection and some protection against inflation erosion.
- As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that the cash and annuity lifestyle strategies that seek to reduce investment risk as the member approaches retirement are appropriate.
- Based on their understanding of the Scheme's membership, an investment strategy that targets members taking their benefits as cash at retirement (for all members except those within five years from retirement as at May 2015) and a level annuity at retirement (for those members less than five years from retirement as at May 2015) is likely to meet members' requirements for income in retirement.
- This does not mean that members have to take their benefits in this format at retirement – it merely determines the default investment strategy that will be in place pre-retirement. Members who intend to take their retirement benefits through other formats have the option of switching to an alternative lifestyle strategy prior to retirement or even choosing their own investment strategy.

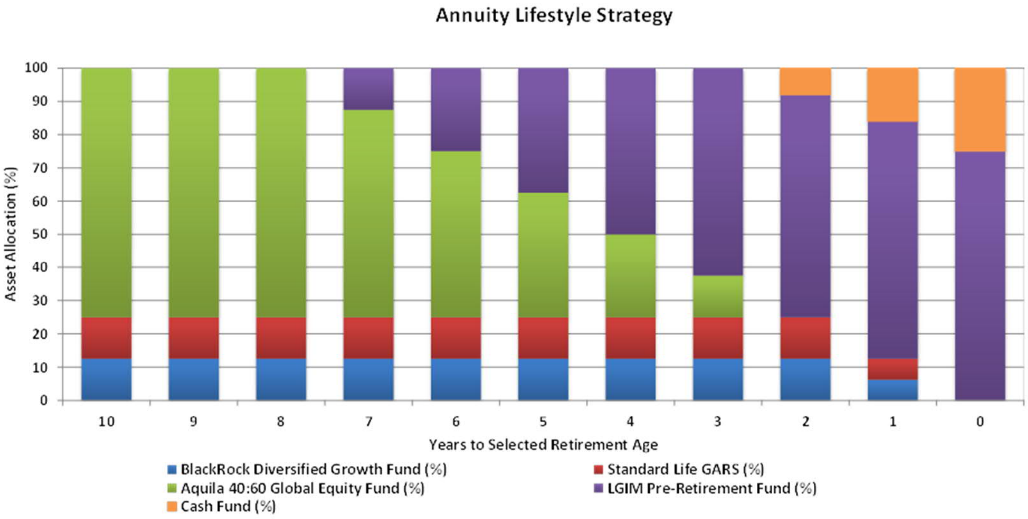
Taking into account the demographics of the Scheme's membership and the Trustee's view of how the membership will behave at retirement, the Trustee believes that the current default strategy is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Scheme's demographic, if sooner.

The Trustee believes that this strategy should meet the investment objectives outlined in section 3.2 and help control the risks identified in section 4.2.

Additional Lifestyle Strategies

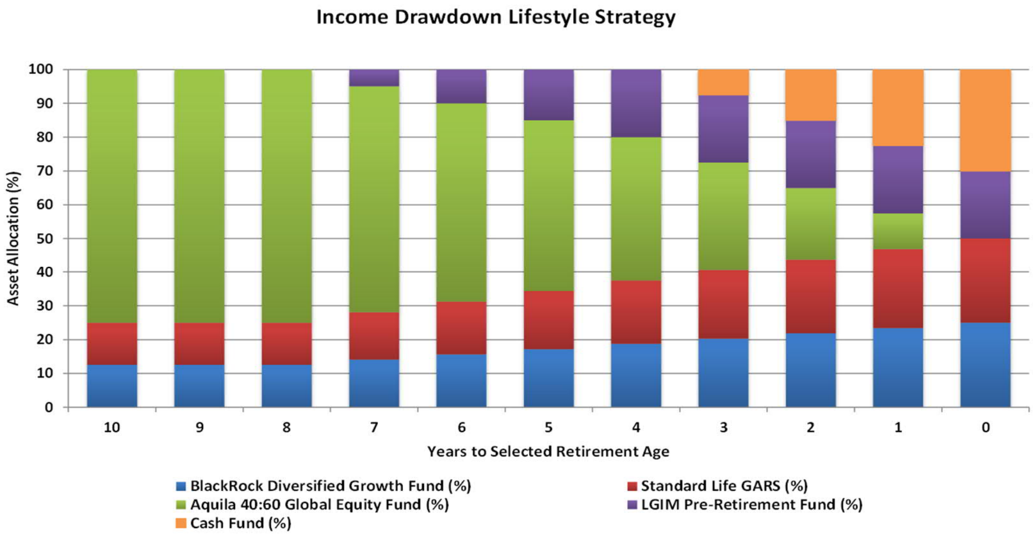
In addition to the Cash Lifestyle Strategy the Scheme offers members the choice of two other Lifestyle Strategies.

The **Annuity Lifestyle Strategy** is designed for members who wish to take 25% of their pot as tax-free cash and intend to purchase a level/fixed annuity at retirement with the remaining amount of savings. The switching will occur broadly in line with the distributions below:



The Annuity Lifestyle Strategy is the default investment strategy for members who were within five years of their Selected Retirement Age as at the date of implementation of the new investment strategy (May 2015).

The **Income Drawdown Lifestyle Strategy** is designed for members who wish to keep their retirement savings invested after retirement and achieve an income in retirement by making regular withdrawals. The switching will occur broadly in line with the distributions below:



6. Day-to-Day Management of the Assets

The Trustee delegates the day to day management of the Defined Benefit Section assets to two investment managers. The Trustee has established an insurance policy with BlackRock Life Limited for the investment of the Defined Contribution Section assets. The Trustee has taken steps to satisfy itself that the appointed managers have the appropriate knowledge and experience for managing the Scheme's investments and they are carrying out their duties competently.

The Trustee regularly reviews the continuing suitability of the Defined Benefit and Defined Contribution Section's investments, including the appointed managers, the strategic asset allocation and the balance between active and passive management, which may be adjusted from time to time.

6.1 Defined Benefit Section

All of the Scheme's equity and bond assets are passively managed by BlackRock, the diversified growth mandate is actively managed by BlackRock and the property mandate is actively managed by Lothbury Investment Management ("Lothbury"). The Scheme's assets are managed to the following benchmarks:

Asset Class	Weight (%)	Benchmark
Total Growth	**40.0**	-
Total Equities	**27.2**	-
UK Equity	2.7	FTSE All-Share Index
Overseas Developed Equity*	10.7	Weighted Composite
US Equity	*4.2*	*FTSE AW USA Index*
Europe (ex-UK) Equity	*3.3*	*FTSE AW Dev Europe (ex-UK) Index*
Japan Equity	*1.6*	*FTSE AW Japan Index*
Pacific Rim Equity	*1.6*	*FTSE AW Dev Asia Pac (ex- Japan) Index*
Overseas Developed Equity (GBP hedged)*	10.7	Weighted Composite (95% GBP hedged)
US (GBP hedged) Equity	*4.2*	*FTSE AW USA 95% GBP Hedged Index*
Europe (ex-UK) (GBP hedged) Equity	*3.3*	*FTSE AW Dev Europe (ex-UK) 95% GBP Hedged Index*
Japan (GBP hedged) Equity	*1.6*	*FTSE AW Japan 95% GBP Hedged Index*
Pacific Rim (GBP hedged) Equity	*1.6*	*FTSE AW Dev Asia Pacific (ex-Japan) 95% GBP Hedged Index*
Emerging Market Equity	3.1	MSCI Global Emerging Markets index
Diversified Growth	7.8	3 Month Sterling Libor + 3% p.a.
Property	5.0	IPD Monthly Property Index
Total Bonds/LDI	**60.0**	-
UK Index-Linked Gilts		FTSE A Over 25 Years Index-Linked Gilts Index
UK Fixed Interest Gilts	40.0	FTSE A Over 15 Year Gilts Index
Liability Matching Funds		Change in value of the gilt or index-linked gilt allowing for the impact of leverage
UK Corporate Bonds	20.0	iBoxx £ Non-Gilts over 15 Year Index
Total	**100.0**	-

*Figures for the constituents of the overseas equities may not sum due to rounding of the allocations in the above table to one decimal place.

All investments are held in units of pooled funds operated by BlackRock and Lothbury.

BlackRock and Lothbury are regulated by the FCA. As required by the Financial Services Act, the Trustee has entered into a signed Agreement with each manager which complies in all respects with this Statement. The Agreement provides important protections for the Scheme itself and for the Trustee. It also sets out the terms on which the assets are managed, and the investment brief, guidelines and restrictions under which the investment manager works.

6.2 Defined Contribution Section

The Trustee has established an insurance policy with BlackRock Life Limited for the investment of the Defined Contribution Section assets. The day-to-day responsibility for the investment management of the underlying assets of the insurance policy is delegated to an associate company, BlackRock Advisors (UK) Limited ("BlackRock") which is regulated by the Financial Conduct Authority ("FCA").

The selection of funds available to members through the BlackRock platform is as follows:

Fund	Target
BlackRock Aquila Life (40:60) Global Equity	Aims to achieve index returns in line with the FTSE All-Share Index (40%) and the FTSE All-World Developed ex UK Index (60%).
BlackRock Aquila Life UK Equity Index	Aims to achieve index returns in line with the FTSE All-Share Index.
BlackRock Aquila Life World (ex UK) Index	Aims to achieve index returns in line with the FTSE All-World Developed ex UK Index.
BlackRock Aquila Life Over 5 Year Index-Linked Gilt	Aims to achieve index returns in line with the FTSE UK Gilts Index-Linked Over 5 Years Index.
BlackRock Aquila Life All Stocks Corporate Bond Index	Aims to achieve index returns in line with the iBoxx £ Non-Gilts Index.
BlackRock Aquila Life Cash	Aims to achieve an investment return that is in line with wholesale money market short-term interest rates. Specifically, the Fund is benchmarked against 7 Day Sterling LIBID.
BlackRock Diversified Growth	Aims to achieve an investment return of 3.5% above the Bank of England official Bank Rate measured over rolling 3 year periods (gross of fees)
Standard Life Global Absolute Return Strategies	Aims to achieve an investment return of 5.0% above cash over rolling three-year periods (gross of fees).
LGIM Pre-Retirement	Aims to provide diversified exposure to sterling assets that reflect the broad characteristics of investments underlying the pricing of a typical non-inflation-linked annuity product.

The Trustee also offers three lifestyle strategies as described in section 5.2.

7. Expected Return

The Trustee expects the Defined Benefit Section to generate returns, over the long term, above that which would have been achieved had no investment risk been taken within the portfolio i.e. invested solely in a portfolio of long dated Government debt. It is recognised that over the short term performance may deviate significantly from the long term target.

8. Responsible Investment and Corporate Governance

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

The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustee will monitor how ESG, climate change and stewardship is integrated within investment processes. The Trustee will consider the investment consultant's assessment of how each investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the investment managers' policies on voting and engagement. The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments. Monitoring is undertaken on a regular basis and is documented.

The Trustee can review the decisions made by their managers, including voting history (in respect of equities) and engagement activity, and can challenge such decisions to try to ensure the best long term performance over the medium to long term.

The Trustee is supportive of the UK Stewardship Code published by the Financial Reporting Council in July 2010 and encourages the Scheme's equity managers who are registered with the FSA to comply with the UK Stewardship Code. Such managers are expected to report on their adherence to the UK Stewardship Code on an annual basis.

Member views are not currently taken into account in the selection, retention and realisation of investments.

The Trustee has not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

9. Investment Manager Appointment, Engagement and Monitoring

Aligning manager appointments with investment strategy

The investment managers are appointed by the Trustee based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for.

The Trustee looks to its investment consultant for their forward looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management. The Trustee utilises the consultant's manager research ratings in decisions around selection, retention and realisation of manager appointments.

If the investment objective for a particular manager's fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

Two mandates in each of the DB and DC sections of the Scheme are actively managed and the managers are incentivised through remuneration and performance targets (an appointment will be reviewed following periods of sustained underperformance). The Trustee will review the appropriateness of using actively managed funds (on an asset class basis) as part of the wider monitoring of the Scheme's managers.

As the Scheme's investments are made through pooled investment vehicles, the Trustee accepts that it has no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

The investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then it will look to replace the manager.

Evaluating investment manager performance

The Trustee receives investment manager performance reports on a quarterly basis, which present performance information over 3 months, 1 year, 3 years and since inception. The Trustee reviews the absolute performance and relative performance against a suitable index used as the benchmark, on a net of fees basis. The Trustee's focus is primarily on long term performance but short term performance is also reviewed.

If a manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives, and may ask the manager to review their fees. The Trustee can also terminate an appointment if required.

In relation to DC assets, as part of the annual Value for Members ("VfM") assessment, the Trustee reviews the investment manager fees.

Portfolio turnover costs

The Trustee receives MiFID II reporting from their investment managers and investment consultant (where applicable) but does not currently analyse such information. In relation to DC assets, the Trustee reports on transaction costs within the Chair's Statement.

The Trustee does not currently monitor portfolio turnover costs but may look to do this as part of an annual governance review.

Manager Turnover

The Trustee is a long term investor and is not looking to change the investment arrangements on a frequent basis.

For all funds invested in by the Scheme (which are open-ended vehicles), there is no set duration for the manager appointments. The Trustee will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The manager appointment has been reviewed and the Trustee has decided to terminate.

In relation to DC assets, all the funds are open-ended with no set end date for the arrangement. The Fund Range and Default Strategy are reviewed on a regular basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy or general fund range.

10. Additional Assets

Additional Voluntary Contributions (AVCs) are separately invested on a money purchase basis with Equitable Life Assurance Society ("Equitable Life") and Prudential (who offer a range of funds in which members can invest their AVCs). Prudential was appointed in 2001 as a replacement AVC provider to Equitable Life and all new AVC contributions will be invested with Prudential. Certain assets remain invested with Equitable Life. Copies of the Agreements with Equitable Life and Prudential are available for inspection at Cambridge Science Park.

Further to the Trustee's decision to align the AVC and DC fund offerings, the following six funds were made available to AVC members:

- BlackRock Aquila Global Equity Index Fund (40:60)
- BlackRock Aquila World (Ex-UK) Equity Index Fund
- Prudential UK Equity Passive Fund
- Prudential Index-Linked Passive Fund
- BlackRock Aquila Corporate Bonds All Stocks Index Fund
- BlackRock Ascent Sterling Government Liquidity Fund

In addition, further to this decision, the following changes were agreed in respect of the AVC assets:

- New AVC contributors will only be allowed to invest in the six funds mentioned above.
- No Lifestyle option will be offered within the AVC offering for new members.
- Existing AVC contributors will be able to continue to contribute to the range of AVC funds previously offered before the introduction of the new fund range.
- The exception to this is the Cash and Deposit funds previously offered which are to be closed as part of the agreed changes with all existing monies in the Cash

and Deposit funds to be transferred to the BlackRock Ascent Sterling Government Liquidity Fund.

- Existing contributors will also be able to use the newly introduced funds listed above for new AVC contributions and transfer their existing funds to them if they wish to do so.

A relatively low balance of Scheme assets is also held in deposit and current bank accounts to facilitate benefit payments.

11. Realisation of the Assets

The Trustee has delegated the responsibility for buying and selling investments to the investment managers who have undertaken not to exceed the Trustee's investment powers as set out in the trust deed. As noted, the day-to-day activities which the investment managers carry out for the Trustee are governed by the Agreement between the Trustee and the investment managers, which is reviewed from time to time to ensure that the operating instructions, guidelines and restrictions remain appropriate.

12. Monitoring Compliance with this Statement

We the Trustee; the investment managers; Mercer, our consultants; and the Scheme Actuary (all of whom have been appointed by the Trustee) each have duties to perform to ensure compliance with this Statement. These are:

The Trustee will review this Statement at least every three years on the advice of Mercer.

The investment managers, BlackRock and Lothbury, prepare and will continue to prepare quarterly reports to the Trustee including:

- Valuation of all investments held for the Scheme.
- Records of all transactions together with a cash reconciliation.
- A review of recent actions undertaken on behalf of the Scheme together with a summary of their current stated policy.
- Written confirmation that the principles contained in this Statement have been followed and that the manager has had regard for the need for diversification and the suitability of investments to the Scheme.

The investment managers also notify us in advance of any new investment categories in which they are proposing to invest.

Mercer, our consultants, and the Scheme Actuary provide and will continue to provide the advice needed to assist us to review and update this statement as required. Mercer also provides independent quarterly investment performance reports.

13. Review of this Statement

The Trustee will review this Statement at least every three years and without delay following any material changes to any aspects of the investment policy detailed above. Any such review will again be based on written expert investment advice and will be in consultation with the Principal Employer.

14. Principal Employer

For the avoidance of doubt Napp Pharmaceutical Holdings Limited has been nominated by all Participating Employers under the Scheme to act as their representative for the purposes of Section 35 (3) of the Pensions Act 1995 (as amended by the Pensions Act 2004).

Agreed and adopted by the Napp Pension Trustees Limited – September 2020