CADBURY MONDELEZ PENSION FUND

STATEMENT OF INVESTMENT PRINCIPLES IN RESPECT OF THE DEFAULT INVESTMENT OPTION FOR THE DC SECTION

1. Introduction

The Trustee of the Cadbury Mondelez Pension Fund (the "Fund") has drawn up this Statement of Investment Principles ("Statement"), in respect of the default investment option.

The Statement complies with the requirements of the Pensions Act 1995, the Occupational Pension Schemes (Investment) Regulations and subsequent legislation and should be read in conjunction with the main Statement of Investment Principles for the Fund.

2. Investment Policy

2.1 Objectives

The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives. The Trustee also recognises that there are different types of members within the DC Section with different contribution rates and benefits that are linked to one of the Company's defined benefit arrangements. Some members of this DC Section are included in more than one category of benefit type.

The Trustee has agreed an investment strategy that reflects these characteristics.

The following encapsulates the Trustee's objectives:

- To provide a default investment option to avoid members having to make a decision.
- Offer a lifestyle strategy which facilitates long term capital growth for member savings.
- Offer a strategy that enable members to reduce risk in their investments as they approach retirement.
- To provide a strategy that reflects the expectation on how members will take benefits at retirement.

Members with Top-Up accounts

Based on the Trustee's understanding of the circumstances of members with Top-Up accounts, the Trustee believes that an investment strategy that targets a 75% annuity purchase and 25% cash at retirement is likely to reflect a typical member's choice of how they take benefits.

The Trustee is responsible for deciding the constituent funds to populate the lifestyle strategy to offer to members. In determining the types of funds and lifestyle strategies that are offered, the Trustee has taken investment advice regarding the suitability of investment vehicles considering factors such as: the asset class (or classes), the level of diversification and the nature of the investment objectives.

The Trustee regularly monitors those investments included in the default strategy to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the trustees' policies, including those on non-financial matters. The Trustee may also monitor those investments available through the Fund, but not included in the default strategy. This includes monitoring the extent to which asset managers:

- make decisions based on assessments about medium- to long-term financial and non-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.

The Trustee is supported in this monitoring activity by their investment consultant.

The Trustee shares the policies, as set out in this SIP, with the Fund's asset managers, and request that the asset managers review and confirm whether their approach is in alignment with the trustees' policies.

Before appointment of a new asset manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to express their expectations to the asset managers to try to achieve greater alignment.

The Trustee believes that having appropriate governing documentation, setting clear expectations to the asset managers by other means (where necessary), and regular monitoring of asset managers' performance and investment strategy, is in most cases sufficient to incentivise the asset managers 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 asset managers are 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 first engage with the manager but could ultimately replace the asset manager where this is deemed necessary.

The asset managers are remunerated as a set percentage of the assets under management. This is in keeping with market practice. There is typically no set duration for arrangements with asset managers, although the continued appointment all for asset managers will be reviewed periodically, and at least every three years.

2.2 Policies with regards to risk

The Trustee recognises that all forms of investment carry some degree of volatility risk. The Trustee has considered the risks below when setting the investment arrangements. and understands that this is not an exhaustive list of all the risks that the members face.

Investment return risk – the risk that low investment returns over members' working lives will not keep pace with inflation and the member's account does not, therefore, secure an adequate pension. The Trustee has sought to reduce this risk by investing in a growth-oriented fund during the accumulation phase.

Manager risk – the risk that the decisions taken by an investment manager may have a detrimental impact on the returns of a fund. The Trustee has mitigated this risk by investing in passively managed funds which attempt to replicate rather than outperform market indices.

Annuity conversion risk – the risk that, as the cost of an annuity rises, the value of the investment fund that will be used to purchase the annuity does not change by an equal amount. The cost of purchasing an annuity is closely linked to the value of long term bonds. The Trustee has sought to reduce this risk by switching member funds gradually into a combination of bond and cash funds as a member approaches retirement.

Inflation risk – this is the risk of investments not keeping pace with inflation. The Trustee has sought to address this risk by investing in a fund with significant weightings in global equities during the accumulation phase. This is expected to achieve a real rate of return over both price inflation and earnings growth in the long term.

Default risk – the value of interest bearing securities would be at risk if a bond issuer or licensed deposit taker defaults on their commitments. The Trustee has noted this risk.

Liquidity risk – *members* are able to withdraw assets when retiring. The Trustee is mindful of these liquidity requirements when selecting the range of fund options available to members.

Target risk – targeting a different benefit to that which specific members may take at retirement. The Trustee is aware that not all members will make the same decisions at retirement and has adopted a pragmatic strategy.

2.3 Policies with regards to cost and performance

The Trustee believes it is important to understand the different costs and charges. These costs include:

- Annual Management Charge (AMC) – an express explicit charge which is usually a fixed annual level
- Total Expense Ratios (TERs) - include annual management charges, investment management charges and any additional expenses disclosed by the fund manager.
- Portfolio turnover costs - the costs incurred in buying and selling underlying securities held within the fund's portfolio. These are incurred on an ongoing basis and are implicit within the performance of each fund.

  The charges included in the AMC for the Top Up accounts are met by the Company, meaning that the member borne deductions for management on the default are zero. Members with Top Up accounts do not have any self-select options available to them.

The TERs and portfolio turnover costs for the Top Up accounts are implicit charges not explicitly deducted from members' funds, instead fund performance figures are expressed net of the effect of these costs.

These costs (TERs and portfolio turnover costs) are passed to members since they reduce the net performance of the respective funds.

For members in Terry's IPAs, the total cost of providing the benefit is met by the company. As their money purchase funds are notional, there are no charges deducted from members' funds.

For AVC and transferred in funds, the TERs and portfolio turnover costs are borne by the members within these sections.

Other costs of providing the DC section of the Fund (e.g. administration and adviser costs) are not charged to members.

For the DC Section, the Trustee collects information on these member-borne costs and charges on an annual basis, where available, and sets these out in the Fund's Annual Chair's Statement regarding DC Governance (the "Annual Chair's Statement"), which is made available to members in a publicly accessible location.

No specific ranges are set for acceptable costs and charges, particularly in relation to portfolio turnover costs. However, the Trustee expects its DC investment adviser to highlight if these costs and charges appear unreasonable when they are collected as part of the Annual Chair's Statement exercise.

It is the Trustee's view that long term performance, net of fees, is the most important metric on which to evaluate its asset managers.

3. Investment Strategy

3.1 Investment Options

The Trustee believes, having taken expert advice, that it is appropriate to offer a single lifestyle strategy to cater for the specific nature of the membership.

The Trustee regularly reviews the suitability of the underlying funds provided and, from time to time, may change funds or introduce additional investment options, including additional lifestyle strategies.

3.2 Default Investment Option

The Trustee recognises that the Fund caters for members with different types of Top-up accounts. Some accounts underpin a defined benefit entitlement whereas other accounts are purely defined contribution and are in addition to the defined benefit entitlement.

The default investment option has been constructed following consideration of the membership of the DC section. The Trustee also considered the various options members will have regarding the way in which they draw their benefits in retirement, and the charge cap that became effective for default investment options from 6 April 2015.

The aims of the default investment option, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To generate long term growth during the accumulation phase

  The accumulation phase of the default investment option invests in equities.

- To provide a strategy that reduce investment risk for members as they approach retirement.

  The Trustee has agreed to implement a strategy that seeks to reduce investment risk as the member approaches retirement. Moreover, as members approach retirement, the Trustee believes the primary aim should be to provide protection against a mismatch between asset values and the expected costs of retirement benefits.

3.3 The Trustee's policies in relation to the default arrangement in respect of matters set out in Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005, as amended, are detailed below:

- The default investment option manages investment risks through a diversified strategic asset allocation consisting of mainstream assets classes. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the default investment option, the Trustee has explicitly considered the trade-off between risk and expected returns.

- Assets in the default investment option are invested in the best interests of members, taking into account the profile of members. In particular, the Trustee has considered the make-up of the Fund's membership when deciding on the default investment option.

- Members are supported by clear communications regarding the aims of the default option and the access to alternative investment approaches.

- Members do not have to take their retirement benefits in line with those targeted by the default option; the target benefits are merely used to determine the investment strategy held pre-retirement.

- Assets in the default investment option are invested in daily traded pooled funds which hold highly liquid assets. The pooled funds are commingled investment vehicles which are managed by State Street Global Advisers ("SSgA"). The selection, retention and realisation of assets within the pooled funds are delegated to SSgA in line with the mandates of the funds.

- Likewise, they have full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments.

3.4 In setting a default investment strategy, the Trustee's primary concern is to act in the best financial interests of the Fund and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. This means taking into account all financially material considerations, as far as practically possible. These include:

- The risk that environmental, social and governance factors including climate change negatively impact the value of investments held, over the length of time the Trustee considers is needed for the funding of future benefits by the investments of the Fund, if not understood and evaluated properly. The Trustee considers this risk by taking advice from its investment adviser when setting the Fund's asset allocation, when selecting managers and when monitoring their performance. Day to day management of these risks is delegated to the investment managers.

3.5 **Structure of the Default (Lifestyle) Option**

Years to Retirement Date	SSgA Net Global Equity (50/50) (Developed 50% Hedged) Index Fund	SSgA UK Conventional Gilts Over 15 Years Index Fund	SSgA UK Index Linked Gilts Over 5 Years Index Fund	SSgA Sterling Liquidity Fund
10 and over	100	0	0	0
9	90	5	5	0
8	80	10	10	0
7	70	15	15	0
6	60	20	20	0
5	50	25	25	0
4	40	30	30	0
3	30	35	35	0
2	20	36	36	8
1	10	36	36	18
0	0	37.5	37.5	25

Taking into account the demographics of the membership and the Trustee's views of how the membership will behave at retirement, the Trustee believes that the current default investment options are appropriate and will continue to review these over time, at least triennially, or after significant changes to the membership, if sooner.

4. Stewardship – voting and engagement

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 Fund invests, as this ultimately creates long-term financial value for the Fund and its beneficiaries. The Trustee also recognises that these issues may be of particular interest to Fund members in the DC Section.

The Trustee regularly reviews the suitability of the Fund's appointed asset managers and takes advice from its investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee undertakes to engage with the manager (where possible) and seek a more sustainable position but may ultimately look to replace the manager.

The Trustee reviews the stewardship activities of its asset managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of its policies to those of the Fund's asset managers and ensure its managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.

The Trustee will engage with its asset managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of its active ownership policies, are being actioned. This information will be shared with members in the annual Implementation Statement.

With regard to transparency over voting, the Trustee expects to receive reporting from its asset managers on voting actions and rationale for those votes, where relevant to the Fund, in particular, where: votes were cast against management; votes against management generally were significant (more than 20%) or votes were abstained.

Given the nature of the DC Section, the only relevant persons the Trustee expects to engage with are the asset managers. From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an asset manager. The Trustee may engage on matters concerning an issuer of debt or equity, including its performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Alignment with wider corporate sustainability policies and practices

When setting their own policies, particularly in relation to stewardship and corporate sustainability, the Trustee has regard to the employer's policies on corporate sustainability. The Trustee will look to integrate their policies and practices with those of the employer, provided these do not cause a financial detriment to members.

5. Member's views and non-financial factors

In setting and implementing the Fund's investment strategy the Trustee does not explicitly consider the views of Fund 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").

The underlying funds that make up the default investment strategy should not apply personal ethical or moral judgements as the sole basis for an investment decision.

6. Review of this Statement

The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy or member demographics. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments

Signed on behalf of the Trustee of the Cadbury Mondelez Pension Fund

Signed: ______________________ Date: 26/08/2020

Name: G. A. CHICK

Signed: ______________________ Date: ______________________

Name: ______________________