

Galderma (UK) Limited Section of The Pensions Master Plan

Statement of Investment Principles

Contents

- Galderma (UK) Limited Section of The Pensions Master Plan 1**
- 1. Introduction 3
- 2. Investment Objectives 3
- 3. Choosing Investments 4
- 4. Insurance Provider 4
- 5. (Residual) Investment Strategy 4
- 6. Realisation of Investments 5
- 7. Risk Measurement and Management 5
- 8. Policy on ESG and Stewardship 6
- 9. Governance 6
- 10. Custodian 7
- 11. Fees 7
- 12. Compliance with this Statement 7

1. Introduction

This is the Statement of Investment Principles (the "Statement") for the Galderma (UK) Limited Section of The Pensions Master Plan (the "Scheme"). It has been prepared on behalf of the Section Trustee (the "Trustee") to comply with Section 35 of the Pensions Act 1995 (the "Act"), as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005 (the Investment Regulations).

The Trustee will review this Statement at least every three years to ensure it remains accurate. The Statement will be amended more frequently and as soon as possible should any changes be made to the Scheme's investment strategy. The Trustee is committed to maintaining the accuracy of this Statement on an ongoing basis.

As required under the Act, the Trustee has consulted a suitably qualified person by obtaining written advice from Isio on the suitability of the investments and the principles contained in this Statement. The Trustee complies with the requirements to maintain and take advice on the Statement and consult with Galderma (UK) Ltd (the "Principal Employer"). The Principal Employer has been consulted on the contents of this Statement and will be consulted should the Trustee wish to make any amendments to this Statement.

The Trustee has full regard to its investment powers set out in the Scheme Rules. The Statement is consistent with those powers.

2. Investment Objectives

The Trustee's primary objectives for setting the investment strategy for the Scheme are set out below:

- To ensure all obligations to the beneficiaries of the Scheme are met in a timely manner; and
- To invest the Scheme's assets appropriately to run the Scheme on a low-risk basis to lessen funding volatility and to reduce the likelihood of placing any unnecessary reliance on the Sponsor.

In meeting these objectives, the Trustee in consultation with the Scheme's Principal Employer, has entered into a buy-in policy with the Insurance Provider, Legal & General Assurance Society Limited ("LGAS"). This policy, implemented in December 2023, is designed to meet all members' benefit payments as they fall due, with the exception of a very small minority of members for whom the Scheme will use-up a small proportion of residual cash to make initial payments to in the immediate months up to part way through 2024, after which it has been agreed that the Principal Employer will be responsible for making future payments thereafter.

The investment arrangements outlined in the sections below have been designed with the above objectives, and the existence of the buy-in policy in mind.

3. Choosing Investments

The Trustee recognises that the investment strategy should reflect the characteristics of the Scheme's liabilities and meet the investment objectives as outlined in section 2 above:

As the large majority of the assets are invested in the buy-in policy managed by the Insurance Provider, the responsibility for these assets has been delegated to the Insurance Provider. However, the Trustee retains overall responsibility for reviewing the ongoing operation of and risks associated with the buy-in policy. This includes, but is not limited to the timeliness and accuracy of payments made to the Scheme.

In addition, a small residual proportion of funds will be left in the Scheme and used to fund initial monthly payments to the very small minority of members not included in the buy-in up to part way through 2024, before the Principal Employer takes over responsibility as mutually agreed.

4. Insurance Provider

The Trustee, with guidance from its Investment Advisor and Risk Transfer Advisors, has chosen LGAS to be the Scheme's Insurance Provider for the buy-in policy. LGAS is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority.

The Trustee paid an insurance premium for this policy and as such there is no ongoing fee arrangement with the Insurance Provider.

The Trustee subsequently does not presently have any investment managers, with the small residual cash balance after purchasing the buy-in policy being held in the Trustee Bank Account.

When selecting the buy-in policy, the Trustee considered the costs and charges of paying the insurance premium to ensure that this was competitive, alongside performing due diligence including assessing the performance of the Insurance Provider to carry out its obligation to meet any agreed members' benefits through the monthly payment to the Scheme.

The Trustee believes that along with the Insurance Provider's stewardship and ESG policies that were considered when investing in the buy-in policy, the objectives of the buy-in policy are aligned with the long-term views of the Trustee.

5. (Residual) Investment Strategy

In addition to the buy-in policy, the Trustee has put in place the following temporary strategic investment strategy for the small proportion of residual assets invested in the Scheme's Trustee Bank Account. '

Asset Class	Fund	Benchmark (%)
Cash	Trustee bank account	100
Total	-	100

Cash was considered the most appropriate asset class for investments for these residual funds as these will be used to fund initial monthly payments to the very small minority of members not included in the buy-in up to part way through 2024 before the Principal Employer takes over responsibility, as mutually agreed.

6. Realisation of Investments

It is the intention of the Trustee to hold the buy-in policy until the final covered member dies, with the payments due from the policy meeting Scheme benefit payments due.

The realisation of the small minority of residual assets have been held in the Trustee Bank Account. The Trustee will take any further advice from the Investment Advisor if required.

7. Risk Measurement and Management

In determining its investment policy, the Trustee has considered the following risks:

- **Funding risk and asset and liability mismatch risk** – the Trustee addresses this through the asset allocation strategy to invest in a buy-in policy as advised by the Scheme’s Investment and Risk Transfer Advisors and Scheme Actuary;
- **Credit risk** – As the majority of the Scheme’s assets are invested in the buy-in policy with LGAS, the Scheme is exposed to the risk of insolvency and default on the policy. As noted, LGAS is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority, and is subject to regulatory solvency requirements. In addition, the buy-in policy is covered under the Financial Services Compensation Scheme (“FSCS”), protecting 100% of an individual’s ‘pension pot’ with an insurer, as long as the regulatory environment and FSCS can be relied on. The residual assets are invested in cash and as such have minimal credit risk.
- **Market risk** – As the majority of the Scheme’s assets are invested in the buy-in policy with LGAS, any market risk of meeting the obligations of any agreed members’ benefits is managed by LGAS. The residual assets are invested in cash and as such have minimal market risk;
- **Sponsor risk** – the risk of failure of the Scheme’s sponsoring employer. The Trustee monitors the strength of the sponsor on an ongoing basis. Given the large scale, high regulation and solvency requirements of the Insurance Provider, the buy-in for the majority of assets with an Insurance Provider such as LGAS was assessed as a strong risk mitigation of sponsor risk for the Scheme.
- **Liquidity risk** – The Trustee may need to pay pension and lump-sum benefits in the short-term, and therefore, address this risk by investing an appropriate amount in assets that are realisable at relatively short-notice. In practice, all of the residual assets remaining in the Scheme are held in cash which provides daily liquidity.
- **Environmental, social and governance (‘ESG’) factors** – The Trustee acknowledges that ESG factors, including climate change, can have a financially material impact on the future returns on its investments and the Trustee’s actions to mitigate these is detailed in the following Scheme below.

The Trustee will monitor these risks regularly as appropriate, particularly those deemed to have high likelihood or significant adverse impact, and will look to introduce further control and mitigation measures as appropriate to contain the overall level and distribution of risks within acceptable limits.

8. Policy on ESG and Stewardship

The Insurance Provider, LGAS, is responsible for managing the majority of the Scheme's investments in accordance with the buy-in policy in place with the Scheme. As such the Trustee has delegated responsibility for the exercise of all rights (including voting rights) attaching to the investments to the Insurance Provider.

The Trustee is responsible for setting the Scheme's investment strategy and implementing that strategy through appointing investment managers and/or insurance providers. When setting investment strategy and selecting investments, the Trustee's first priority is the financial interests of their members. The Trustee monitors the return objectives, risk characteristics, investment approach and investment guidelines of each of the Scheme's current investment mandates. The Trustee is satisfied that the current existing mandates fulfil the needs of their target investment strategy, and by extension, that the Scheme's Insurance Provider is managing the Scheme's assets in a manner which is consistent with members' financial interests.

The Trustee acknowledges that certain environmental, social and governance issues, including climate change (together referred to as "ESG" factors) are financially material and may therefore influence the risk and return characteristics of the Scheme's investments and the likelihood that the Scheme's objectives will be achieved.

The Trustee recognises the importance of ESG factors on long-term investment performance and on both immediate and long-term downside risks. The Trustee has an appropriate monitoring framework to ensure that any Investment Manager and/or Insurance Provider invests in is regularly reviewed.

To confirm, the Trustee's policy is not to take into account non-financial matters in the selection, retention, and realisation of investments. Therefore, no consideration has been given to non-financial matters, nor has the Scheme's membership been consulted on such issues.

These statements are made noting that the Scheme's assets are predominantly invested in the buy-in policy and as such, the Trustee is restricted in its ability to directly influence the Insurance Provider on ongoing ESG policies and practices of the companies in which the buy-in policy invests within.

9. Governance

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

When deciding whether or not to make any new investments, the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the Investment Manager or Insurance Provider. The written advice will consider the suitability of the investments, the need for diversification and the principles contained in this statement. Isio was appointed to provide investment advisory services including the provision of this advice.

The Trustee recognises that, as the Scheme is predominantly invested in a buy-in policy, there is limited scope to influence the controls and restrictions used in the management of the underlying assets, and acknowledges that derivatives may be used by the Insurance Provider.

The Insurance Provider's objective is to invest in order to replicate and deliver the agreed members' benefits as per the buy-in policy terms.

10. Custodian

The Scheme's investments are held in a buy-in insurance policy. The investments in the buy-in policy are held in larger pools of investments managed by the Insurance Provider. The custodianship arrangements are those operated by LGAS for all clients investing in the relevant buy-in policies.

11. Fees

As noted above, the Scheme does not pay ongoing fees for the buy-in policy with LGAS and has instead paid a premium.

12. Compliance with this Statement

In accordance with legislation, the Trustee will monitor compliance with this Statement on a regular basis. The Trustee will review the Statement at least every three years and in response to any material change to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustee and Principal Employer, which they judge to have a bearing on the stated policy.

Signed on behalf of the Trustee of the Galderma (UK) Limited Section of The Pensions Master Plan

December 2023