Annual governance statement

The Occupational Pension Schemes (Charges and Governance) Regulations 2015 ('the Regulations') require trustees of money purchase pension schemes to prepare an annual statement that discloses how they have governed certain aspects of the scheme. A money purchase scheme is one where broadly, each member has their own savings pot into which both employer and member contributions are paid. The retirement benefits eventually paid to members are not known in advance but depend instead on factors such as the amounts of contributions that are paid, the investment returns that they earn and the charges that are deducted from savings. Members' outcomes at retirement are therefore partly affected by how well the Trustee carries out their investment governance functions as well as their ability to negotiate charges and services that provide good value for members. The purpose of the annual statement is for trustees of money purchase schemes to explain how they have exercised their responsibilities in these crucial areas.

This Statement, as well as the SIP, will be published online at https://schemes.vidett.com/pizza-hut/, which is publicly available website.

Impact on the Pizza Hut (UK) Investment Plan (the 'Plan')

The Plan is not typically regarded as a money purchase pension scheme. Members' pensions at retirement are calculated on a defined benefit formula based on pay and length of service (1/60th of Final Pensionable Salary for each year of Pensionable Service), irrespective of investment returns or fund charges. However, these defined benefits have a notional money purchase underpin attached to them. This means that when the Plan was open to accrual, a contribution was notionally invested for each member in each pay period as part of the overall Plan assets. When a member retires or transfers out, pension rights calculated on the defined benefit formula described above are compared against the benefits that could be provided from the value of the notional money purchase underpin determined from these contributions and investment returns on Plan assets. If the latter benefits are greater, the members' benefits will be topped up accordingly.

There are also a small number of members who transferred in benefits from a previous employer's pension scheme and these benefits are invested on a money purchase basis, in the same way as the money purchase underpin above, i.e. there is no specific fund for each member but the transferred in money is invested in the general Plan assets and each member's fund value is based on the returns of the Plan as a whole. Some of these transferred in benefits include Guaranteed Minimum Pensions (GMP) so the member is entitled to the GMP as a minimum benefit.

Although analysis suggests that money purchase underpins are very unlikely to exert any influence on members' outcomes in retirement in the vast majority of cases, the Trustee is advised that the presence of money purchase underpins potentially creates a regulatory requirement to prepare a statement of governance. In addition, as the transferred in benefits are invested on a money purchase basis this creates a requirement for a statement of governance. Also, if such a requirement does exist, the statement must also address the Trustee's governance in relation to the Plan's Additional Voluntary Contributions ('AVCs'). This is an area of some legal uncertainty but the Trustee has decided to adopt best practice in relation to money purchase benefits by preparing this statement.

Reflecting regulatory requirements, the statement covers five principal areas, namely;

- How the Trustee designs any default investment arrangement to be in members' interests.
- Processes for ensuring that financial transactions are both prompt and accurate.
- Charges and transaction costs within the Plan, including an illustration of its cumulative impact, and the Trustees' assessment of value for members;
- Net return on investments; and
- Arrangements for ensuring that the Trustee has both the knowledge and resources to run the Plan effectively.

1. Default investment arrangement

The Plan is not used as a Qualifying Scheme for compliance with automatic enrolment legislation and as such there is no legislative requirement for the Plan to have a default investment option in relation to the notional money purchase underpin, the transferred in benefits or the Additional Voluntary Contribution policies. For this reason, the Trustee believes that the disclosures required in the Regulations with regard to default investment arrangements are not applicable to this statement. For the same reason, the Trustee's Statement of Investment Principles does not contain wording relating to default investment arrangements.

Asset allocation disclosure

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) and Pensions Dashboards (Amendment) Regulations 2023 ("the 2023 Regulations") introduced new requirements for trustees and managers of certain occupational pension schemes.
For the first scheme year that ends after 1 October 2023, trustees or managers of relevant occupational pension schemes are required to disclose their full asset allocations of investments from their default arrangements.
In order that members invested in the Plan's default arrangement can see how their savings were invested as at 31 March 2024, the tables below show the percentage of each of the main asset classes held by the Pizza Hut (UK) Investment Plan strategy for members at different stages of the glidepath.

	Percentage allocation – average 25 years	Percentage allocation – average 45 years	Percentage allocation – average 55 years	Percentage allocation – 65 years (NRD)
Cash	1.06	1.06	1.06	1.06
Government Bonds and Other Bonds	51.10	51.10	51.10	51.10
Corporate Bonds	40.13	40.13	40.13	40.13
Equity	4.56	4.56	4.56	4.56
Property/Real Estate	0.84	0.84	0.84	0.84
Other	2.31	2.31	2.31	2.31

Source: Defined Benefits team. The Pizza Hut (UK) Investment Plan lifestyle strategy does not allow for lifestyle therefore allocation is static for the specified age groups. The information provided above pertains to the defined benefit (DB) assets, as the Plan Portfolio is a DC underpin.

Notes:

- The following describes the types of investments covered by the above asset classes:
  - Cash – Cash and assets that behave similarly to cash e.g. treasury bills. It only includes invested cash and not the cash balance held by the Plan.
  - Bonds – Loans made to the bond issuer, usually a government or a company, to be repaid at a later date.
  - Equity – Shares in companies that are listed on global stock exchanges. Owning shares makes the Plan a part owner of the company, entitled to a share of the profits (if any) payable as dividends.
    – Unlisted equities that are not publicly traded on stock exchanges. Encompasses a broad range of investment styles, including:
    - Venture Capital – Small, early stage businesses that may have high growth potential, albeit at significant risk.
    - Growth Equity – Relatively mature companies that are going through a transformational event with potential for growth.
  - Property – Real estate, potentially including offices, retail buildings which are rented out to businesses.
  - Other – Any assets that do not fall within the above categories.

2. Core financial transactions

The Trustee recognises that delay and error can cause significant losses for members. They can also cause members to lose faith in a pension plan which may in turn reduce their propensity to save and thereby impair future outcomes. The Trustee therefore operates measures and controls aimed at ensuring that all financial transactions including core financial transactions are processed promptly and accurately. For example, they agree and monitor target timescales with the administrator for the calculation and payment of benefits such as retirement benefits and transfer values. These timescales are all comfortably within statutory timescales.

Core financial transactions include (but are not limited to):

- Investment of contributions;
- Transfer of members' assets to and from the scheme;
- Switching between investments within the scheme; and
- Payments out of the scheme to members/beneficiaries

The Plan administrator, Aptia Ltd (previously Mercer Ltd until 1 January 2024), record all member transactions and benefit processing activities in a work flow management system which assigns the relevant timescale to the task. They disclose quarterly, to the Trustee, their performance against these agreed timescales. These disclosures are considered by the Trustee at its meetings (11 July 2023, 4 October 2023, 13 December 2023 and 7 March 2024).

Crucially, all target timescales include allowance for tests to be carried out on whether the notional money purchase underpins 'bite' i.e. whether their value is such that the member's benefits are uplifted.

The Plan is closed to future accrual and therefore no further contributions are notionally allocated to members' money purchase underpins or AVCs and no further transfers in are permitted. No timescales are therefore required in relation to contribution payments. Also, as money purchase underpins are purely notional in nature, members are not allowed to direct how they are invested, so investment switching in relation to money purchase underpins or transferred in benefits does not arise in practice.

Table 1 sets out the service level agreements between the Trustee and Aptia. There were no issues during the Plan year.

Table 1

Task	Service Level Agreement	Comment
Transfer in	N/A	The Plan is closed for future contributions or members
Transfer Out quotes	20 days	100% completed within target over the year
Retirement quotes	13 days	99% completed within target over the year
Death claim	2 days	100% completed within target over the year
Transfer and Retirement settlements	15 days	100% completed within target over the year
Investment Switch	N/A	Members do not currently have investment choice

Based on the above, the Trustee is satisfied that the Plan's core financial transactions have been processed promptly and accurately by the administrator during the period to which this Statement relates.

3. *Charges and transaction costs*

The Trustee is required to report on the charges and transaction costs for the investments used by the Plan, and the extent to which those charges represent good value to their members. As mentioned, money purchase underpins are notionally invested in accordance with the Plan's asset allocation. The charges deducted from these funds relate entirely to investment management services and are;

- Total Expenses Ratio (TER) - these costs comprise of management fees and additional expenses such as legal fees, auditor fees and other operational expenses.
- Transaction costs - these are the fund manager's expenses associated with trading a fund's underlying securities, including commissions and stamp duty. These costs are taken into account by the fund managers when calculating the unit price for each of the funds, but are not included in the TER.

The FCA's policy statement (PS17/20) provides guidance to investment managers regarding calculations and disclosures of transaction costs which comply with regulations. Due to the way in which transaction costs are calculated, they can be negative or positive in nature; a negative figure is effectively a gain from trading activity, whilst a positive figure is effectively a cost from trading activity. The Trustee requested this information from Mercer, and the available data supplied by the provider is shown in Table 2a below.

Table 2a

Fund name	TER (% p.a.)**	Transaction Costs (%p.a.)***
Plan portfolio*	0.55	0.11

Source: Mercer
**The Plan's investment portfolio is where DC section assets are invested.*
***TER based on the fees paid over 12 month period to 30 June 2023 (based on average assets over the same period), weighted by the target allocation of the growth and matching portfolios. The TER calculated excludes performance related fees and other expenses to the fund not directly related with the management fee.*
**** Transaction costs as per the MiFid Statement provided by Fund Assist over the 12-month period to 30 June 2023.*

Table 2b below provides the charges and transaction costs over the year to 31 March 2024 for the AVC funds with Clerical Medical, and Utmost Life that are available through the Plan.

Table 2b

Fund name	TER (% p.a.)	Transaction Costs (% p.a.)[1]
Clerical Medical Lifestyle UK Growth	0.50	0.27
Clerical Medical Lifestyle Non-Equity	0.50	0.12
Clerical Medical Lifestyle Cautious	0.50	0.24
Clerical Medical Balanced Pension (and Lifestyle Balanced)	0.50	0.25
Clerical Medical Gilt & Fixed Interest	0.50	0.00
Clerical Medical Cash	0.50	0.01
Clerical Medical With-Profits	0.50	0.25
Utmost Global Equity	0.75	0.08
Utmost Asia Pacific	0.75	0.26
Utmost Managed	0.75	0.10
Utmost FTSE All Share Tracker	0.50	0.05
Utmost Multi-Asset Cautious	0.75	0.24
Utmost Multi-Asset Moderate	0.75	0.21
Utmost Multi-Asset Growth	0.75	0.17

Source: Clerical Medical, Utmost.
[1]Transaction costs for Clerical Medical funds shown to 31 March 2024. Utmost fund transaction costs shown for 12 month period to 28 March 2024.

The Trustee fully supports transparency of charges and costs for members. However, a key consideration for members is the performance produced net of combined charges and costs. Moreover, a cheaper fund does not necessarily deliver the best value for money.

In the context of DC schemes more generally, the TER for the Plan's total portfolio (the only investment option), is comfortably within the charge. The Trustee notes that whilst the Plan's total portfolio returned -4.2% over the year, this was an improved performance compared to the previous year (-39.5%). The portfolio has performed reasonably over the longer term delivering a net return of 4.2% p.a. since inception and continues to target a low risk investment portfolio over the long term. The strategy has been designed with the intention to secure the defined benefit rights.

To illustrate the impact of charges and costs on a typical member's pension pot, the Trustee has provided the illustration in Table 3. The statutory guidance has been considered in preparing this example. As the Plan has closed for contributions, the illustrations assume no further contributions are made.

Table 3

	Plan Portfolio		Utmost FTSE All Share Tacker (cheapest)		Clerical Medical Balanced (most expensive)	
Years from Today	*Before Charges and Costs*	*After all charges and costs deducted*	*Before Charges and Costs*	*After all charges and costs deducted*	*Before Charges and Costs*	*After all charges and costs deducted*
1	46,371	46,151	46,184	45,931	46,956	46,372
3	48,683	47,992	48,097	47,310	50,549	48,687
5	51,110	49,907	50,089	48,730	54,417	51,117
10	57,720	55,036	55,436	52,471	65,431	57,735
15	65,184	60,691	61,355	56,498	78,675	65,210
20	73,614	66,928	67,905	60,834	94,599	73,654
25	83,134	73,805	75,155	65,504	113,746	83,190
30	93,886	81,390	83,178	70,531	136,768	93,962

Notes

1. *Values shown are estimated projections and are not guarantees.*
2. *The starting pot size is assumed to be £45,257 as at 31 March 2024 (This is based on the average notional value of money purchase benefits (excluding members with transferred in benefits), for the relevant members at 31 March 2020, rolled up by the inflation assumption).*
3. *Inflation increases are assumed to be 2.5% each year.*
4. *Contributions are assumed to 0% (Plan closed to future contributions).*
5. *Projection shown for 30 years, based on assumption that a young member (age 35) accesses benefits at the end of their Normal Retirement Age (age 65). Illustrations are equally valid for projections over similar periods at/to other ages.*
6. *The projected growth rates before charges and costs are as follows:*
   Plan portfolio: 2.37% per year above inflation, with transaction costs of 0.09% (see note 7) and other charges of 0.38% p.a., calculated based on MiFid Statement produced by Fund Assist over 12-month period to 31 March 2024 (data provided annually).
   Utmost FTSE All Share: 2.0% per year above inflation, with transaction costs of 0.05% (see note 7) and charges of 0.50% p.a.
   Clerical Medical Balanced: 3.5% per year above inflation, with transaction costs of 0.25% (see note 7) and charges of 0.5% p.a.. Please note Clerical Medical did not provide the growth rate for the Clerical Medical Balanced Pension Fund so the gross SMPI assumptions was used from a similar fund type.
7. *Transaction costs are assumed to not be negative at any stage. As defined in regulation 2(1) of the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the illustration should be based on an average of the previous 5 years' transaction costs or, where data is available for fewer than 5 years, an average of transactions costs over the years for which data is available. Transaction costs for the Utmost FTSE All Share transaction costs reflect the average over the two year period to 31 March 2024. Clerical Medical Balanced transaction costs reflect the average over the five year period to 31 March 2024.*
8. *The projected growth rates use Mercer's capital market and asset class alpha assumptions plus any transaction costs.*

4. Value for members

In accordance with Regulation 25(1)(b), the Trustee is required to undertake a review of the charges and transaction costs incurred by members in order to ascertain whether they represent good value for members. All investment costs levied in the money purchase Section are met by the members, separate from the costs associated with administering any Defined Benefit rights to which members may also be entitled, the costs of which are met by the Company. The Trustee has only considered those costs notionally paid by the Plan members.

The Trustee has invested in a pre-set de-risking strategy that reduces investment risk as the Plan's funding level improves. This approach is aimed ultimately at seizing market opportunities with a view to making the Plan's defined benefit rights more secure. It does not have explicit regard to money purchase underpins as these are not expected to influence members' retirement outcomes in the vast majority of cases. The Trustee also does not take explicit consideration of the notional funds relating to transfered in benefits, which account for a small proportion of the Plan’s overall investments. In taking the approach of aiming to provide security for the Plan’s defined benefit rights the Trustee is also implicitly aiming to provide security for the GMP element of the transferred in entitlements.

The Trustee has assessed that the size of members' notional money purchase underpins are typically low when compared with the value of the attaching defined benefit rights and, as such, are unlikely to deliver any material value to members. This would be true even if the charges and transaction costs on the Plan's underlying funds were reduced to nil. For as long as this situation prevails, the Trustee's investment governance activities will likely have regard only to the Plan's defined benefit obligations. The transferred in benefits are invested in line with the general scheme assets which are reviewed regularly by the Trustee. The Trustee is in the process of reviewing the approach to transferred in benefits with their advisers.

The Plan's assets also include unit linked AVC and With-Profits AVC investments with Utmost Life and Pensions Ltd. and Clerical Medical. By their nature, the charging structure of With-Profits policies is not transparent; for example, investment returns are earned in the form of discretionary bonuses calculated by the provider.

Noting the above factors, the Trustee has received an assessment of the value for members. As part of the assessment, the Trustees have reviewed member charges, net investment performance and the governance and administration of the Scheme. The conclusions from the assessment are shown in the table below:

Assessment area	**Conclusion**
Costs and charges	The Trustee has assessed the Plan as offering poor value from a costs and charges perspective on the basis that its on-going investment charges are significantly higher than the comparators. Compared to 2023 the charges of the plan portfolio increased. It is recommended the Trustees consider discussing the fees with the manager, although we note that the underpin is not expected to bite for most members and therefore even if the fees were zero, it would provide no additional benefit to members.
Net investment performance	The Trustee has assessed the Plan as offering poor value from a net investment performance perspective, based on returns achieved over periods to 31 March 2024 compared to the comparator funds. This arises because the main benefit is a defined benefit promise and the funds used within the assessment are for the defined contribution underpin which is not expected to bite for most members. The comparator funds do not take this type of benefit into account and therefore the analysis is not representative of the actual Plan benefit.
Governance and administration	The Trustee has assessed the Plan as offering reasonable value from a governance and administration perspective. On the whole the governance is robust and rated good. The only reason the rating is

	marked as reasonable is because there is no investment choice available to members and no default fund which you would find in a typical defined contribution pension plan. As the Plan is a defined benefit plan it does not provide this optionality. **Promptness and accuracy of core financial transactions** The Trustees appointed a specialist third party administrator to undertake administration. Aptia are able to provide an AAF report. Administration records are audited annually. The overall SLA from 1 January 2023 to 31 March 2024 was 100% of completion within Service Standard, compared to previous year from 1 January 2022 to 31 March 2023 was 99%. Administration reports will be tabled and reviewed at future Trustee Meetings. **Quality of record keeping** Common and Scheme Specific data were last reviewed in 31 January 2024. The Trustees will undertake a review of this data and take actions deemed necessary to improve the data quality. **Appropriateness of the default strategy** There is no default fund within the Plan. The primary objective of the Trustees with respect to the investment strategy is to secure the defined benefit promise Quality of investment governance The Trustee, along with its adviser regular reviews the investment portfolio, performance and its impact on the funding level of the defined benefit promise. The is no focus on the investments in relation to the notional defined contribution underpin, given it is not expected to bite for most members. **Level of trustee knowledge, understanding and skills to operate the pension scheme effectively** The Trustee is a professional trustee with requirements for continued professional learning. The Trustee is supported by advisers who regular raise training associated with key decisions and market events. **Quality of communication with scheme members** Member communications are prepared with the input of advisers to ensure they are clear and easy for members to understand. **Effectiveness of management of conflicts of interest** The Trustees have a conflicts of interest policy and register in place, and any new conflicts are declared and considered at each Trustee Meeting, and subsequently recorded.

The Trustee reviews the AVC policies on a regular basis with the last review in October 2021 and have undertaken actions as appropriate, including:

- Moving the monies in the Utmost Money Market fund into the Investing by Age journey for members and advising members of this.
- Writing to members regularly to remind them of the risk and return characteristics of AVCs. In doing so they will seek to obtain data from Utmost Life and Clerical Medical on charges deducted from these policies.
- Reminding members of the other investment funds available from Utmost Life and Clerical Medical.
- Reminding members that they can transfer AVCs to the Company's group personal pension plan, where there is online functionality and a wider fund range. However, members might be reluctant to forfeit any terminal bonus in the With-Profits fund and indeed their ability to exchange more than 25% of their AVCs as tax free cash.

The Trustees also reviewed their AVC lifestyle arrangements in April 2023 and subsequently sent a communication to remind members of their AVCs in October 2023.

The Trustee continually considers the Plan and its long term strategy to determine the most effective way of delivering member benefits.

Net Investment performance

To help understand how the investments are performing, the table below shows investment returns, net of all charges and transaction costs, for the Plan portfolio, the only investment option available for the notional defined contribution underpin.

	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since inception **(p.a.)
Plan portfolio*	-4.2%	-16.5%	-8.4%	4.2%

Source: Mercer as at 31 March 2024.

**The Plan's investment portfolio is where money purchase assets are invested. Due to the underlying asset allocation of the default portfolio not being influenced by member age, only one set of performance figures has been shown above. These performance figures would be applicable to a member at any age.*

*** since inception of Mercer Fiduciary management on 8 September 2010.*

Regulations introduced in 2021 require the Trustees to report on the net investment returns for the Scheme's default arrangement and for each fund which members have been able to select during the Scheme year. Net investment returns refer to the returns on funds minus all transaction costs and charges.

The table below sets out the net investment returns for the Scheme's only investment option which have been calculated in accordance with the statutory guidance

Age of member at the start of the period	Annualised Returns to 31 March 2024	
	1 Year (%)	5 Year (%)
25	-4.2	-8.4
45	-4.2	-8.4
55	-4.2	-8.4

Source: Mercer. Performance shown net of all charges and transaction costs.

AVCs

	Annualized returns to 31 March 2024 (%)	
	1 year	**5 years (p.a.)**
Clerical Medical Lifestyle UK Growth	N/A	N/A
Clerical Medical Lifestyle Non-Equity	N/A	N/A
Clerical Medical Lifestyle Cautious	N/A	N/A
Clerical Medical Balanced Pension (and Lifestyle Balanced)	N/A	N/A
Clerical Medical Gilt & Fixed Interest	-6.0	-2.5
Clerical Medical Cash	N/A	N/A
Clerical Medical With-Profits	N/A	N/A
Utmost Global Equity	27.6	12.9
Utmost Asia Pacific	6.1	4.1
Utmost Managed	11.2	4.9
Utmost FTSE All Share Tracker	10.2	5.0
Utmost Multi-Asset Cautious	6.5	-
Utmost Multi-Asset Moderate	12.0	-
Utmost Multi-Asset Growth	14.4	-

Source: Utmost performance shown net of all charges and transaction costs. Clerical Medical performances were not available at the time of the report.

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5. Trustee's Knowledge and resources

The Trustee is a Sole Trustee appointment from an Independent Professional Trustee Company and its representatives have a number of years of experience acting as a Trustee for the Plan, and other schemes, over which time they have received regular training on all aspects of running a trust based pension scheme including investments, legislation and governance, which is all documented in their professional training log.

The Trustee Company also performs secretariat services which helps ensure that the meeting agendas cover those issues that need to be addressed to ensure the Plan functions effectively.

The Trustee is required to maintain an appropriate level of knowledge and understanding which, together with professional advice, which is available to them, enables them to properly exercise their functions and duties in relation to the Plan. The Trustee meets these requirements in the following ways:

- Holds regular Trustee meetings at which updates on current issues are provided by advisers, with ad-hoc advice provided in relation to any new requirements as a result of changes in regulation or legislation.
- Vidett as Trustee has internal controls which are independently audited. These controls include the requirement for client directors to undertake and record CPD each year. Therefore, all Vidett representatives that work on the Plan undertake relevant CPD training.
- Vidett obtain and review all the relevant governing documentation (e.g. trust deed and rules,

Statement of Investment Principles etc.) as part of the take on process for new schemes, so that they can properly undertake the trustee role.

- Ensuring they comply with the Trust Deed and Rules and other key Plan documents when making decisions in relation to the Plan, seeking assistance from their legal advisers for complex areas or where there is ambiguity.

The Trustee receives professional advice from Mercer and BDB Pitmans LLP and Burness Paull LLP (legal advisers) to support them in reviewing the performance of the Plan and in governing the Plan in line with the Trust Deed and Rules. The relevant skills and experience of those advisers is a key criterion when evaluating adviser performance or selecting new advisers. The advice received by the Trustee along with their own knowledge and experience allows them to properly exercise their function as Trustee. If there are any ambiguities regarding the Trust Deed and Rules, BDB Pitmans LLP or Burness Paull LLP is asked to provide advice.

In addition to the regular review of Plan documentation and policies, the Trustee has undertaken ongoing training, both as a group and individually to keep abreast of relevant developments.

The Trustee receive topical briefings from Mercer at each meeting (11 July 2023, 4 October 2023, 13 December 2023 and 7 March 2024), examples over the year included Actuarial valuation training, Defined Benefit Funding Code, PPF Levy, TPR Liability Driven Investment (“LDI”), Cyber Security Policy and Incident Plan.

Additionally, their professional advisors, Mercer Ltd attend each Trustee meeting and bring to the Trustee’s attention any new regulatory requirements and current topical issues. Taking into account the experience and expertise of the Trustee Company, and the professional advice available, the Trustee considers themselves properly enabled to exercise their function as the Trustee.

Signed on behalf of Vidett on 30 October 2024 ....

Appendix

Pizza Hut (UK) Investment Plan (the "Plan")

Statement of Investment Principles – January 2024

1. Introduction

The Trustee of the Pizza Hut (UK) Investment Plan (the "Plan") has drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995 (the "Act") and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Statement is intended to affirm the investment principles that govern decisions about the Plan's investments. The Trustee's investment responsibilities are governed by the Plan's Trust Deed and Rules, of which this Statement takes full regard. A separate document (the Summary of Investment Arrangements) detailing the specifics of the Plan's investment arrangements is available upon request.

This Statement replaces the previous statement dated December 2020.

In preparing this Statement, the Trustee has consulted a suitably qualified person by obtaining written advice from Mercer Limited ("Mercer"). In addition, consultation has been undertaken with Yum! III (UK) Limited (the "Sponsor") to ascertain whether there are any material issues of which the Trustee should be aware in agreeing the Plan's investment arrangements and, in particular on the Trustee's objectives.

2. Process For Choosing Investments

The Trustee has appointed Mercer to act as discretionary investment manager, by way of Mercer's Dynamic De-risking Solution, to implement the Trustee's strategy whereby the level of investment risk reduces as the Plan's funding level improves. In this capacity, and subject to agreed restrictions, the Plan's assets are invested in multi-client collective investment schemes ("Mercer Funds") managed by a management company (Mercer Global Investments Management Limited ("MGIM")). MGIM has appointed Mercer Global Investments Europe Limited ("MGIE")) as investment manager of the Mercer Funds. In practice, MGIE delegates the discretionary investment management for the Mercer Funds to third party investment managers based in countries such as Ireland, UK and USA and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund. Mercer has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Plan's assets on a day to day basis.

In considering appropriate investments for the Plan, the Trustee has obtained and considered the written advice of 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

The Trustee understands that taking some investment risk, with the support of the Sponsor, is necessary to improve the Plan's current and ongoing solvency funding positions. The Trustee recognises that equity (and other growth asset) investment will bring increased volatility to the funding level, but in the expectation of improvements in the Plan's funding level through equity (and other growth asset) outperformance of the liabilities over the long term.

The Trustee's primary objective is to act in the best interest of its members and ensure that the obligations to the beneficiaries of the Plan can be met. In meeting this objective, the Trustee's further objectives are to:

- By means of an agreed combination of investment return and funding budget from the Sponsor, move the Plan to a position of being 105% funded on a de-risked funding basis (gilts +0.0% p.a.), with an objective of achieving this by 2030 to 2035. The target funding level of 105% is set as a very broad proxy for potential buy-out prices, noting that the Trustee does not expect 105% to be a perfect match. For example, if the funding level target is hit ahead of 2030, it may be that the buy-out premium is greater than 105%.
- In doing so, to opportunistically reduce the degree of risk in the Plan's investment arrangements, thereby helping to protect the Plan's improving funding position.

The Trustee recognises this ultimately means investing in a portfolio of bonds but believe that at the current time some investment in equities and other growth assets ("Growth Portfolio") is justified to target enhanced return expectations and thereby target funding level improvements. The Trustee recognises that this introduces investment risk and these risks are discussed below.

The Trustee has agreed that the Plan should move progressively towards a target of an entirely bond-based investment strategy ("Matching Portfolio") as its funding level increases. The Trustee will monitor progress against this target.

The objectives set out above and the risks and other factors referenced in Section 4 of this Statement are those that the Trustee determines to be financially material considerations. Non-financial considerations are discussed in section 9.

4. Risk Management and Measurement

There are various risks to which any pension Plan is exposed. The Trustee's policy on risk management over the Plan's anticipated lifetime is as follows:

- The primary risk upon which the Trustee focuses is that arising through a mismatch between the Plan's assets and its liabilities and the Sponsor's ability to support this mismatch risk.
- 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 Plan's accruing liabilities as well as producing more volatility in the Plan's funding position.
- To control the risk outlined above, the Trustee, having taken advice, set the split between the Plan's Growth and Matching Portfolios such that the expected return on the overall portfolio is expected to be sufficient to meet the objectives outlined in section 3. As the funding level improves, investments will be switched from the Growth Portfolio into the Matching Portfolio with the aim of reducing investment risk.

- Whilst moving towards the target funding level, the Trustee recognises that even if the Plan's assets are invested in the Matching Portfolio there may still be a mismatch between the interest-rate and inflation sensitivity of the Plan's assets and the Plan's liabilities due to the mismatch in duration between assets in the Matching Portfolio and actuarial liabilities.
- The Trustee invests in leveraged LDI funds to maintain the liability hedging without impacting on expected return but recognise that the use of leveraged LDI brings with it additional liquidity risks and requirements which can change over short periods of time with interest rate changes. The Trustee and Mercer review the matching portfolio as part of the regular reporting and strategy reviews, including consideration of the market stress buffer and governance.
- The Trustee recognises the risks that may arise from the lack of diversification of investments. To control this risk the Trustee has delegated the asset allocation decisions within the Growth and Matching Portfolios to Mercer (subject to certain restrictions). Mercer aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. Mercer provides the Trustee with regular monitoring reports regarding the level of diversification within the Trustee's portfolio.
- To help the Trustee ensure the continuing suitability of the current investments, Mercer provides the Trustee with regular reports regarding the performance of the underlying asset managers appointed within the relevant Mercer Funds to enable the monitoring of differences between the expected and experienced levels of risk and return.
- There is a risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustee. The Trustee recognises that the use of active investment managers involves such a risk. However, for specific asset classes it believes that this risk is outweighed by the potential gains from successful active management. Likewise, passive management will be used for one of a number of reasons, namely, to diversify and reduce risk and when investing in certain asset classes where, due to relatively efficient markets, the scope for achieving added value is more limited.
- To help diversify manager-specific risk, within the context of each of the Growth and Matching Portfolios, the Trustee expects that the Plan's assets are managed by appropriate underlying asset managers.
- By investing in the Mercer Funds, the Trustee does not make investments in securities that are not traded on regulated markets. However, should the Plan's assets be invested
- in such securities, in recognition of the associated risks (in particular liquidity and counterparty exposure), such investments would normally only be made with the purpose of reducing the Plan's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event, the Trustee would ensure that the assets of the Plan are predominantly invested on regulated markets.
- The Trustee recognises the risks inherent in holding illiquid assets. The Trustee has carefully considered the Plan's liquidity requirements and time horizon when setting the investment strategy and liquidity risk is managed by ensuring illiquid asset classes represent an appropriate proportion of the overall investment strategy. Given the potential for a bulk annuity to be purchased in the short to medium-term took the decision in December 2023 to

divest from their direct property and less liquid hedge fund allocations, transferring the proceeds to liquid proxies, in order to increase the liquidity of the Plan's assets.

- The Plan is subject to currency risk because some of the investment vehicles in which the Plan invests are denominated or priced in a foreign currency. Within the context of the Mercer Funds used in the Growth and Matching Portfolios, to limit currency risk, a target non-sterling currency exposure is set and the level of non-sterling exposure is managed using currency hedging derivatives such as forwards and swaps.
- The Trustee recognises that environmental, social and corporate governance concerns, including climate change, have a financially material impact on return. Section 9 sets out how these risks are managed.
- Should there be a material change in the Plan's circumstances, the Trustee will advise Mercer, who will review whether and to what extent the investment arrangements should be altered; in particular whether the current de-risking strategy remains appropriate.

5. Investment Strategy

The Trustee, with advice from the Plan's investment consultant and Plan Actuary, has carried full reviews of the Plan's investment strategy, first in 2010 and later in 2023. These reviews considered the Trustee's investment objectives, their ability and willingness to take risk (the "risk budget") and how this risk budget should be allocated and implemented (including de- risking strategies).

Following the first of these reviews in 2010, the key decision was to seek a long-term solution to "de-risk" the Plan's assets relative to its liabilities over time using a dynamic trigger-based de-risking framework. The Trustee decided to engage Mercer to implement their de-risking strategy by way of its Dynamic De-risking Solution. The approach undertaken related to the asset allocation to the Plan's funding level (on an actuarial basis using a single discount rate of 0.0% p.a. in excess of the appropriate gilt yields i.e. "gilts + 0.0% basis").

Following progression of the Plan's funding level and having significantly de-risked the Plan's investment strategy the Trustee decided, in December 2023, to cease the dynamic trigger- based de-risking framework and hold a fixed allocation to growth assets. This allocation was set with consideration of the Trustee's short to medium term objective of securing a buy-out of the Plan's liabilities with an insurance company and their risk budget. The investment strategy will typically be reviewed on an annual basis to ensure that it remains appropriate.

The investment strategy mandates the following practices:

- To hold sufficient growth assets to target a funding of 105% on a gilts +0.0% basis, as a

proxy for the cost of buy-out prices, by 2030 to 2035;

- To manage investment risk by:
    - Maintaining a minimum level of growth assets that is still expected, with a reasonable degree of certainty, to meet the funding level target with the target timeframes;
    - Reducing un-hedged liability exposures to the extent practicable;

- To monitor the progress in the funding level relative to the estimated buy-out cost in order to capture any risk transfer opportunity, should it arise.

The investment strategy takes account of the Plan's initial funding level on a gilts +0.0% basis

and is based on a model of the progression of the Plan's funding level.

Responsibility for monitoring the Plan's asset allocation, and undertaking any rebalancing activity, is delegated to Mercer. Mercer reports quarterly to the Trustee on its rebalancing activities.

6. Realisation of Investments

The Trustee on behalf of the Plan hold shares in the Mercer Funds. In its capacity as investment manager to the Mercer Funds, MGIE, and the underlying third party asset managers appointed by MGIE, within parameters stipulated in the relevant appointment documentation, have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments.

7. Cash flow and cash flow management

Cash flows, whether positive or negative, are taken into account by Mercer when it rebalances the Plan's assets in line with the Plan's strategic allocation. Mercer is responsible for raising cash flows to meet the Plan's requirements.

8. Rebalancing

As noted, responsibility for monitoring the Plan's asset allocation and any rebalancing activity is undertaken by Mercer. Mercer reviews the balance between the Growth and Matching Portfolios on an ongoing basis. If at any time the balance between the Growth and Matching Portfolios is deemed to be outside an agreed tolerance range, Mercer will seek to rebalance these allocations back towards the target allocations. Although Mercer has discretion to vary the tolerance range, it is the intention that the Growth Portfolio allocation will not drift by more than 5%, in absolute terms, away from the relevant target allocation.

The ranges have been designed to ensure that unnecessary transaction costs are not incurred by frequent rebalancing.

Rebalancing takes place in accordance with the provisions of the discretionary investment management agreement entered into between the Trustee and Mercer, and unless specifically agreed, any assets outside of the Growth and Matching Portfolios will not be part of such rebalancing.

9. Environmental, Social, and Corporate Governance, Stewardship, and Climate Change

The Trustee believe 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 recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

As noted above, the Trustee have appointed Mercer to act as discretionary investment manager in respect of the Plan's assets and such assets are invested in a range of Mercer Funds managed by MGIE. Asset managers appointed to manage the Mercer Funds are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, such as the UK Stewardship Code.

The United Nations' Sustainable Development Goals (SDGs) inform Mercer's long term investment beliefs and direct Mercer's and the Trustee thinking when it comes to converting systemic risks into transformational investment opportunities as outlined in Mercer's Sustainability Policy.

The Trustee considers how ESG, climate change and stewardship is integrated within Mercer's, and MGIE's, investment processes and those of the underlying asset managers in the monitoring process. Mercer, and MGIE, is expected to provide reporting to the Trustee on

a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities and other asset classes where relevant and data is available and/or climate transition analysis for diversified growth portfolios.

Mercer's is committed to a target net-zero absolute carbon emissions by 2050 for UK, European and Asian clients with discretionary portfolios and the majority of its multi-client, multi asset funds domiciled in Ireland, including the discretionary portfolio invested in by the Plan. The Trustee notes the alignment between Mercer's commitment with respect to the Plan's investment portfolio and the Sponsor's own commitment to net-zero carbon emissions by 2030.Mercer undertake climate scenario modelling and stress testing on the Mercer multi sector funds used by the Plan, in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations. The results of the latest climate scenario modelling are within the TCFD compliant Climate Change Management Report. The findings of the modelling are integrated into the asset allocation and portfolio construction decisions, with portfolios increasingly aligned with a 2˚C scenario, where consistent with investment objectives and for consistency with the Paris Agreement on Climate Change.

An allocation to Sustainable Global Equities, is directly made by the Plan.

A detailed standalone sustainability monitoring report is produced for the Sustainable Global Equity fund invested in by the Plan on an annual basis and is reviewed by the Trustee. The approach considers revenues that positively and negatively contribute to environmental and social outcomes (also mapped to the SDGs). The fund includes an allocation to an impact strategy employing fundamental analysis to target companies that aim to achieve positive Environmental and Social Impact.

The Trustee recognises the conflict of interest which may arise in the context of responsible investment. Mercer and MGIE make investment decisions with the aim of improving long-term risk adjusted returns and assesses whether selected sub-investment managers have policies and procedures that manage conflicts in relation to stewardship. Sub-investment managers are required to report on any conflicts of interest and demonstrate that they have adhered to their conflicts of interest policies and reported any breaches.

Member views

The views of members and other beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life, are not taken into account in the selection, retention and realisation of investments within the Plan. The Trustee will review their policy towards this on a periodic basis.

Investment Restrictions

In order to maintain a high level of liquidity the Trustee has restricted investment in direct property and certain illiquid hedge fund allocations. Beyond this the Trustee has not set any investment restrictions in relation to particular Mercer Funds.

10. Trustee's policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs

When engaging Mercer as discretionary investment manager to implement the Trustee's investment strategy outlined in section 5, the Trustee are concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Plan, in particular, long-term liabilities.

As Mercer manages the Plan's assets by way of investment in Mercer Funds, which are multi- client collective investment schemes, the Trustee accepts that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds but the Trustee expects Mercer to manage the assets in a manner that is consistent with the Trustee's overall investment strategy as outlined in section 5. The Trustee has taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.

Should Mercer fail to align its investment strategies and decisions with the Trustee's policies, it is open to the Trustee to disinvest some or all of the assets invested managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer's appointment.

To evaluate performance, the Trustee receives, and considers, investment performance reports produced on a quarterly basis, which presents performance information and commentary in respect of the Plan's funding level and the Mercer Funds in which the Trustee is invested. Such reports have information covering fund performance for the previous three months, one-year, three years and since inception. The Trustee reviews the absolute performance and relative performance against a portfolio's and underlying investment manager's benchmark (over the relevant time period) on a net of fees basis. The Trustee's focus is on the medium to long-term financial and non-financial performance of Mercer and the Mercer Funds.

Neither Mercer or MGIE make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustee is, however, able to consider Mercer's and MGIE's assessment of how each underlying third party asset manager embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustee's own responsible investment policy. This includes the asset managers' policies on voting and engagement.

Section 9 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund's investment objectives or the objectives/policies of the Plan.

The asset managers are incentivised as they will be aware that their continued appointment by MGIE will be based on their success in meeting MGIE's expectations. If MGIE is dissatisfied then it will, where appropriate, seek to replace the manager.

The Trustee is a long-term investor and are not looking to change their investment arrangements on an unduly frequent basis. However, the Trustee does keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above.

The Trustee monitors, and evaluates, the fees it pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives as outlined in section 5. Mercer's, and MGIE's, fees are based on a percentage of the value of the Plan's assets under management which covers the design and annual review of the de-risking strategy, and investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Plan. Mercer's, MGIE's, and the third party asset managers', fees are outlined in a quarterly investment strategy report prepared for the Trustee, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.

Details of all costs and expenses are included in the Mercer Funds' Supplements, the Report & Accounts and within the Plan's annualized, MiFID II compliant Personalised Cost & Charges statement. The Plan's Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Mercer Funds.

The Trustee does not have an explicit targeted portfolio turnover range, given the de-risking mandate, but rebalancing ranges have been designed to avoid unnecessary transaction costs being incurred by unduly frequent rebalancing. Performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying investment managers undertaken by MGIE.

11. Additional Assets

Under the terms of the trust deed the Trustee is responsible for the investment of any Additional Voluntary Contributions paid by members. The Trustee reviews the investment performance of the chosen providers as appropriate and takes advice as to the providers' continued suitability.

12. 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. 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 plan investments.

Signed on behalf of the Trustee of the Pizza Hut (UK) Investment Plan

Signed: ______________________ Date: 30 October 2024

Name: James Double