

PepsiCo UK Pension Plan
Chair's Statement Update
Plan Year - 1 October 2021 to 30 September 2022

1. Introduction

- 1.1. This statement has been prepared by PepsiCo UK Pension Plan Trustee Limited ('the Trustee'), the Trustee of the PepsiCo UK Pension Plan ('the Plan'), to report on compliance with governance standards.
- 1.2. The governance standards apply to defined contribution ('DC') arrangements and are designed to help members achieve good outcomes from their pension savings.
- 1.3. This document sets out the Statement covering the period 1 October 2021 to 30 September 2022 and a copy of this document is published on the PepsiCo website at www.pepsico.co.uk/pension-plan-members.

2. The Plan's DC arrangements

- 2.1. During the Plan Year, the Plan's DC benefits were comprised of benefits:
 - a. For former members of the Quaker Oats Money Purchase Scheme;
 - b. For former members of the Huntley & Palmer Foods Scheme or Smiths Monthly Plans; and
 - c. For former members of the Pepsi-Cola UK Retirement Plan.
- 2.2. These are known as the legacy money purchase benefits and are administered by Mercer Limited. They are closed to future contributions.
- 2.3. The legacy money purchase arrangements are not being used as a qualifying scheme for automatic enrolment purposes.
- 2.4. AVCs are provided through 'bundled' arrangements (administration, investment and communication services from each provider) with Aviva and Standard Life for Defined Benefit ('DB') members. There is also an AVC arrangement invested with Prudential where the administration is undertaken by Mercer Limited. These arrangements are closed to future contributions.
- 2.5. AVCs are also provided for DB members on an 'unbundled basis' with administration services provided by Mercer Limited and investments replicating those for the legacy money purchase arrangements. These arrangements closed to future contributions when the Plan closed to future DB accrual on 31 March 2022.

3. Default investment arrangements

- 3.1. The Plan is not being used as a qualifying scheme for automatic enrolment purposes and, as such does not have an automatic enrolment default investment option available to members. There are, however, other investment options which are deemed to be default options and details of these are set out below.

Global Equity Fund

- 3.2. Back in August 2015, changes were made to increase the diversification for members investing in the Plan's Global Equity fund. This involved a switch of assets from the BlackRock Aquila Life (70:30) Global Equity Index Fund to the BlackRock Aquila Life (30:70) Currency Hedged Global Equity Index Fund.
- 3.3. The Global Equity fund formed part of a lifestyle investment option which the Trustee still makes available to members and the fund was also available as a self-select option which could be chosen by members to invest in if they wanted to.
- 3.4. When the change was made, the Trustee communicated with members and made the change set out. Some members did not respond to the communication from the Trustee, and in this case, members' assets were transferred without explicit consent.

- 3.5. Because of this, the investment arrangements to which members were transferred may be deemed to be 'default' investment arrangements for the purposes of the regulations.
- 3.6. If the member was already in the lifestyle investment option (see details below), then they remained in the lifestyle option, but the way the Global Equity fund was invested changed. If a member had chosen to invest in the Global Equity fund, but not as part of the lifestyle investment option, then their investment moved between the two funds mentioned above; it remained a type of global equity fund investment, but the actual fund used had changed.

The lifestyle option

- 3.7. The lifestyle investment option initially invests in the BlackRock Aquila Life (30:70) Currency Hedged Global Equity Index Fund, with the aim of providing a return above inflation over the long-term, until a member is five years from their selected retirement date.
- 3.8. Thereafter, a combination of a change in the investment of contributions and switching of existing funds will reduce the holding in global equities and increase the holding in the BlackRock Aquila Life Cash Fund, such that at a member's selected retirement age they are invested 100% in the Cash Fund, which reflects how a typical member takes their money purchase benefits from the Plan.

Review of the default and lifestyle options

- 3.9. The Trustee will continue to monitor the lifestyle investment option and will make amendments as appropriate based on its analysis of the likely requirements of Plan members. During the Plan Year, the Trustee started work with its advisers on a review of the investment arrangements, including the default and lifestyle options. The initial thoughts were considered in an Investment Sub-Committee meeting in August 2022 with a further report tabled after the end of the Plan Year.
- 3.10. During the Plan Year the review has taken into account a number of factors including:
 - a. The age profile of DC investors;
 - b. The period to a member's selected retirement age;
 - c. The distribution of savings pot sizes;
 - d. How members typically use their savings pot on retirement; and
 - e. The fact that there will be no further contributions made into these arrangements following the closure of the Plan to future DB accrual.
- 3.11. The Trustee has made some initial decisions in relation to the lifestyle option and continues to work on the broader investment strategy review.
- 3.12. The Trustee has reviewed the decisions members take at retirement and has believe that the assumption that members are likely to take their AVCs as cash remains appropriate. The target position of the lifestyle option at retirement is therefore considered to be suitable.
- 3.13. The advice received noted that during the period five years before the selected retirement age, a member's savings pot is progressively switched from equity investments to a cash fund on an annual basis, so 20% of the equity part of a member's savings pot is switched to cash on one day each year. Because equity markets can be volatile, it was felt that by changing the timing of the switches from annual to quarterly each year, it would reduce the risk of members potentially being exposed to reasonable sized losses if the day in question was particularly bad for equity markets. The Trustee is aiming to implement this in April 2023.
- 3.14. As outlined above, the review is ongoing and a further update on the review will be reported on in the next Chair's Statement.

Investment monitoring

- 3.15. Details of the lifestyle investment option and additional funds are set out in the attached Default Statement of Investment Principles' dated April 2021. This covers the aims and objectives in relation to the default options and the general principles underlying the broader investment policy in relation to the DC and AVC assets.
- 3.16. During the Plan Year, the Trustee, with the assistance of its investment advisers, considered the extent to which the return on investments relating to the default investment strategies outlined above (after deduction of any charges relating to those investments) is consistent with the investment aims and objectives for the arrangements.
- 3.17. The Trustee considers that during the Plan Year the default options remained appropriate and have been broadly consistent with the Trustee's investment objectives for them. However, as set out above, a change will be made to the operation of the lifestyle strategy in April 2023 following the initial findings of the review.

4. Net investment returns

- 4.1. There has been new guidance provided to the Trustee requiring information to be shown on the investment returns, after the deduction of member borne charges and transaction costs, for all default arrangements and investment options that members are able, or were previously able, to select and in which members' assets were invested during the Plan Year.
- 4.2. When preparing this section of the statement the Trustees have taken account of the relevant statutory guidance.
- 4.3. Details of the net investment returns for the funds available to members are set out below:

Fund	Annualised returns to 30 September 2022		
	1 year	3 years (p.a.)	5 years (p.a.)
Lifestyle investment options			
BlackRock Aquila Life (30:70) Currency Hedged Global Equity Index Fund	-12.56%	3.45%	4.36%
BlackRock Aquila Life Cash Fund	0.66%	0.35%	0.45%
Non-lifestyle investment option			
BlackRock Aquila Life Over 5 Year Index-Linked Gilt Index Fund	-29.46%	-10.84%	-2.88%
Legacy Additional Voluntary Contributions			
Aviva FP With-Profits Sub-Fund (NGP Series 1)*	2.13%	n/a	5.12%
Aviva FP With-Profits Sub-Fund (NGP Pre-Demutualisation)*	2.13%	n/a	5.72%
Prudential With-Profits Fund**	6.65%	6.55%	5.45%
Standard Life Pension With-Profits One Fund***	n/a	n/a	n/a
Standard Life Pension With-Profits One 2006 Fund***	n/a	n/a	n/a

Notes:

* These funds have a guarantee that bonuses, once added, will not be removed if benefits are taken at normal retirement date or on death. The annual bonus rate from 1 October 2021 to 31 December 2021 was 2.50% and from 1 January 2022 was 2.75%.

*** The figures shown include reversionary and terminal bonuses.*

**** These funds have a guarantee that the unit price will not fall. The annual bonus rate from 1 October 2021 to 31 January 2022 was 0.75% and from 1 February 2022 was 1.25%.*

- 4.4. For the lifestyle option where the investment returns vary with age, the new requirements set out that the investment returns should be shown over various periods to the end of the Plan Year for a member aged 25, 45 and 55 at the start of the period the returns are shown over.
- 4.5. However, in the Plan, the lifestyle option invests fully in the BlackRock Aquila Life (30:70) Currency Hedged Global Equity Index Fund until five years before the assumed retirement age, which for the Plan is 65. On this basis, the returns achieved in each of the prescribed examples will be identical and will reflect the performance of that fund as set out above.
- 4.6. We have therefore also considered the situation where a member is aged 60 at the start of the investment period and the effect of the lifestyle strategy can be seen. We have included the information for each of these scenarios in the table below:

Age at start of investment period	Annualised returns to 30 September 2022		
	1 year	3 years (p.a.)	5 years (p.a.)
25	-12.56%	3.45%	4.36%
45	-12.56%	3.45%	4.36%
55	-12.56%	3.45%	4.36%
60	-12.56%	3.97%	3.90%

- 4.7. In view of the reported net investment returns as well as the more frequent reviews of DC investment performance against the set benchmarks and objectives which occurred throughout the Plan Year, the Trustee has taken note of the investment market uncertainty and the shorter-term volatility in the returns and remains comfortable with the performance of the funds. These will continue to be monitored closely by the Trustee on an ongoing basis.

5. Core financial transactions

- 5.1. The Trustee has a duty to ensure that 'core financial transactions' are processed promptly and accurately.
- 5.2. Core financial transactions comprise the following:
- investment of contributions made to the Plan;
 - transfers into and out of the Plan;
 - investment switches within the Plan; and
 - payments out of the Plan (e.g. retirement or death benefits).
- 5.3. Core financial transactions for the legacy money purchase benefits and unbundled AVCs (including those invested with Prudential) are undertaken by Mercer Limited.
- 5.4. Core financial transactions for the bundled AVC arrangements are undertaken by Aviva and Standard Life, with oversight from Mercer Limited as the lead administrator.

Controls and monitoring arrangements

- 5.5. The Trustee operates a system of internal controls aimed at monitoring the Plan's administration and management. The controls in place in relation to ensuring the promptness and accuracy of core financial transactions are:

- a. The Trustee maintains a Risk Register, which sets out the key risks for the Plan and its membership. This is reviewed at each quarterly Trustee meeting.
- b. The Schedule of Contributions sets out timescales for the Company to remit monthly contributions to the Plan. These timescales and processes are reviewed by the Company's internal audit and its findings shared with the Trustee. With effect from 31 March 2022, the Plan has closed to future accrual and no further contributions will be paid to the DC and AVC arrangements.
- c. The Trustee has a Service Level Agreement (SLA) in place with the Administrator, Mercer Limited. The SLA sets out the timeline standards expected for each step of the Plan's main administration tasks, including core financial transactions. The administrator aims to process at least 95% of core financial transactions within the service level for each type of transaction.
- d. The agreed service levels are set out below:

Task	Agreed service level (days)
Contribution investment	5
Death in Service	1
Deferred Leavers	5
Retirement Quotes	5
Transfer out quotes (incl. divorce)	10
Transfer settle	10

- e. Agreed timescales are built into the administration workflow systems and monitored on a daily basis by the administration team. Compliance oversight reports are generated to ensure benefit payments are being made in accordance with the SLA's.
- f. The Trustee receives quarterly reports on performance against the SLA and reviews the latest report at each quarterly Trustee meeting.
- g. During the Plan Year, the Administrator had the following additional arrangements in place to ensure that core financial transactions are processed promptly and accurately:
 - Receipt of contributions are monitored to ensure they are received both within agreed scheme and statutory timescales. Late payment is escalated and quarterly compliance is reviewed by the Trustee.
 - AVCs are allocated in line with member's instructions, with any differences investigated and followed up. This process is monitored to ensure contributions are processed in a timely manner with independent peer review evidenced via a checklist.
 - Member disinvestments/switches are processed only on written request with the investment instructions reviewed by the administration team and approved by the Financial Control Team (FCT). Confirmation of the transaction is peer reviewed and evidenced via a checklist.
 - Detailed records are maintained tracking at transaction level, to ensure the units on the administration system match those held by Fund Managers. Monthly reconciliations are carried out by the FCT who liaise with the administration team regarding any actions required.
 - CASHFAC is used to manage receipts and payments which go through a three-stage process input (including appropriate evidence), process and release which enforces segregation of duties between inputting and authorising/releasing transactions. Each transaction, including the parties involved are automatically recorded.

- DC Bank accounts are monitored daily, with details of the transactions sent to the administration team. Where a transaction cannot be identified/actioned the administration team will investigate, all such transactions are detailed on the Payment Control by the FCT and monitored.
 - Independent peer review where prompted by transaction checklists or where required by manual intervention of an automated process is evidenced by either a signed off and completed checklist or by the audit trail on the workflow system.
- h. Any material issues uncovered regarding inaccuracies with core financial transactions would be included within the Administrator's quarterly reporting to the Trustee.

Performance during the Plan Year

- 5.6. Until the closure of the Plan to future accrual, contributions were paid in accordance with the Schedule of Contributions and invested in line with the SLA.
- 5.7. From 1 October 2021 to 30 September 2022, the following overall service levels were achieved by Mercer:
- | | | | |
|--------------|--------------|--------------|--------------|
| Q4 2021: 95% | Q1 2022: 95% | Q2 2022: 91% | Q3 2022: 91% |
|--------------|--------------|--------------|--------------|
- 5.8. The Administrator's overall performance for the Plan fell marginally below the expected service standards for Q2 and Q3 2022. The Trustee received administration reports each quarter and engaged with the Administration Team to understand the issues and plans were agreed and implemented seeking to remedy the service concerns. The Trustee will continue to review the performance of the Administrator closely.
- 5.9. Neither the Administrator's quarterly reports nor the audit of the Annual Report and Accounts identified any material issues with the accuracy of core financial transactions during the Plan Year.

Assessment

- 5.10. In view of the controls and monitoring arrangements, and the lack of material issues experienced in relation to the DC and AVC benefits during the Plan Year, the Trustee believes that core financial transactions have been processed promptly and accurately.

6. Member-borne charges and transaction costs

- 6.1. Members bear charges and transaction costs, which will differ depending on the investment options in which their pension savings are invested:
- a. Charges: these are expressed as a percentage of the value of a member's holdings within an investment fund and can be made up of a combination of charges, e.g. annual management charge and additional expenses. We refer to the total annual charge as the Total Expense Ratio (TER).
 - b. Transaction costs: these relate to the variable costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the TER charge.

Charges in relation to the legacy money purchase and unbundled AVC benefits

- 6.2. The following table provides details of the charges and transaction costs for each of the investment options provided through the Plan Year (data sourced from BlackRock). The transaction costs are shown below for the reporting period and, taking into account the information provided over the prior four Plan Years, we are now also able to provide details of the annualised average transaction costs over the period 1 October 2017 to 30 September 2022 for comparison purposes:

Investment option	TER (p.a.)	Transaction costs (2021/22) (p.a.)	Transaction costs (five-year average) (p.a.)
Default lifestyle investment strategy*			
BlackRock Aquila Life (30:70) Currency Hedged Global Equity Index Fund	0.0153%	-0.0518%	0.0054%
BlackRock Aquila Life Cash Fund	0.1236%	0.0164%	0.0105%
Non-lifestyle investment choice			
BlackRock Aquila Life Over 5 Year Index-Linked Gilt Index Fund	0.0036%	0.0415%	0.0353%

* The charges and transaction costs for the lifestyle strategy are calculated as a composite of the underlying fund charges and transaction costs. These fund holdings and therefore also charges will vary depending upon each member's term to retirement age.

Charges in relation to bundled AVCs and those invested with Prudential

6.3. The following table provides details of the charges and transaction costs for each of the investment options provided through the AVC arrangements over the Plan Year:

Investment option	TER (p.a.)	Transaction costs (p.a.)	Comments
Aviva FP With-Profits Sub-Fund (NGP Series 1)	0.55%	0.064%	TER is implicit and taken into account in declared bonus.
Aviva FP With-Profits Sub-Fund (NGP Pre-Demutualisation)	0.55%	0.064%	Transaction costs are not incurred by members
Prudential With-Profits Fund	0.65%	0.10%*	TER is implicit and taken into account in declared bonus. £500 p.a. scheme charge invoiced to Trustee.
Standard Life Pension With-Profits One Fund	Not disclosed**	0.0061%	TER taken into account in the interim bonus declared.
Standard Life Pension With-Profits One 2006 Fund	Not disclosed**	0.0061%	

Notes:

* The Prudential With-Profits Fund transaction cost is the annualised average of the last five years to 5 April 2022.

** Standard Life have advised that there are no explicit fund management charge or additional expenses, but when the with-profits value is calculated, a deduction is made for their costs. These deductions are broadly the same as the fund management charges and additional expenses for investment-linked funds.

Impact of costs and charges

6.4. To demonstrate the impact of charges and transaction costs on members' pension savings over time, the Trustee has produced illustrations and these are set out in the Appendix.

Security of Assets

- 6.5. The Trustee has previously undertaken a review of the financial protections available to members in the unlikely event of losses caused by the insolvency or other failure of one or more companies involved in managing the Plan's investments.
- 6.6. As a result of this review, which included input from the Trustee's legal and investment advisors, the Trustee is satisfied with the level of protection afforded to the money purchase and AVC assets.

7. Value for members

- 7.1. The Trustee is required to assess annually the extent to which the charges and transaction costs borne by members represent good value.
- 7.2. Analysis was undertaken by the Trustee's professional advisers, Barnett Waddingham LLP, and the findings set out in a report dated 22 February 2023. The Trustee considered the report and confirmed its value for members' assessment at a meeting on 7 March 2023.
- 7.3. Recognising that low cost does not necessarily mean good value, the assessment considered whether the services for which members pay or share the costs are suitable for, relevant to and (likely to be) valued by members and whether performance of the services had been effective. Consideration was also made of the costs relative to other options available in the market.
- 7.4. Various investment-related services for which members do not directly bear the costs are nevertheless inextricably linked to creating the environment under which investment returns are delivered, e.g. strategy, monitoring and the investment governance structure, so these were included in the assessment.
- 7.5. Other services paid for by PepsiCo ('the Company') were excluded but nevertheless deliver value to members, e.g. the services of professional advisers and the operation of the Trustee Board, with a duty to act in the best interest of members.

Legacy money purchase and unbundled AVC benefits

- 7.6. In relation to the legacy money purchase and unbundled AVC benefits, the member-borne charges and transaction costs relate to investment services only. All other charges, including the costs of administration and communication services are met by the Company.
- 7.7. The assessment undertaken considered:
 - a. the investment strategy, e.g. the design of the lifestyle option and the range of alternative options;
 - b. the arrangements for monitoring the performance of the investment options and reviewing the investment strategy; and
 - c. the investment governance arrangements;
- 7.8. The Trustee concluded that the legacy money purchase benefits offer **excellent value** in relation to the charges and transaction costs borne by members.
- 7.9. In reaching this conclusion, the Trustee recognised:
 - a. the TER's for the BlackRock funds are well below 0.75% (the charge cap for DC arrangements being used for auto-enrolment);
 - b. performance of the passive BlackRock funds has been broadly in line with their benchmarks;
 - c. the funds are highly rated by the Plan's Investment Advisers, Mercer Limited; and
 - d. all administrative costs are met by the Plan.

Bundled AVCs and those invested with Prudential

- 7.10. In relation to the bundled AVCs, the member-borne charges and transaction costs relate to:

- a. investment services;
- b. administration services; and
- c. communication services.

7.11. The assessment considered:

- a. in relation to investment services:
 - the investment strategy, e.g. the design of the default and range of alternative options;
 - the arrangements for monitoring the performance of the investment options and reviewing the investment strategy; and
 - the investment governance arrangements;
- b. in relation to administration services:
 - the general administration arrangements;
 - arrangements in relation to financial transactions; and
 - data and record keeping;
- c. in relation to communication services:
 - communication strategy;
 - pre-retirement communications; and
 - at/post retirement communications.

7.12. Members only pay for the investment services in the AVC arrangement invested with Prudential.

7.13. The assessment considered the broad value for members of these services, taking a proportionate approach that reflects the relatively low value of the AVC pension savings concerned.

7.14. The Trustee concluded that the bundled AVC arrangements and those invested with Prudential offer **reasonable value** in relation to the charges and transaction costs borne by members.

7.15. In reaching this conclusion, the Trustee recognised:

- a. These are legacy arrangements which are no longer open to new contributions;
- b. The range of investment options is restricted to with-profits assets only (with alternative investment options being through the legacy money purchase options – rated above);
- c. The providers of the bundled AVCs concerned only offer basic administration services which are overseen by Mercer Limited;
- d. Communication services are also basic and there is no online member access;
- e. The costs are broadly in line with bundled AVC arrangements of a similar size and closed nature and there is likely to be limited opportunity for the Trustee to change the service provider.
- f. Whilst the Trustee considered the With-Profits Funds as part of their assessment, they considered it inappropriate to reach a general conclusion on value for money for this investment type, as this will vary by member as follows:
 - Actual performance, net of charges, is only ever known upon maturity/surrender, after any augmentation for guaranteed terms and after the effect of 'smoothing'. Payouts on surrender and maturity will reflect all charges incurred, though they are not separately identified.
 - Providing a comparison between one With-Profits Fund and its peers is extremely difficult. Each With-Profits fund offers different terms and guarantees and will invest very differently from one another, which in turn impacts the performance received through payouts.

- A specific With-Profits Fund will often provide different guarantees dependent on when a member started contributing or when each contribution was actually invested. The available universe of With-Profits Funds is not sufficiently alike to enable relative assessments based on just past or even potential performance.
 - Assessing the value for money of a With-Profits Fund is directly related to an individual's attitude towards, and capacity for, investment risk. An individual may find comfort in the fact that a With-Profits Fund provides guarantees; whether that is a guaranteed pension, investment return or capital security.
- g. The Plan also provides a number of other services to members at no cost. These additional services include Plan governance related costs, which include oversight of the Plan by the Trustee and their advisers and furthermore, includes support from the internal team at PepsiCo HR/Benefits.
- h. The fact that members are not required to contribute to other charges greatly reduces the cost impact and represents a significant element of the value for money offered to Plan members.

8. Trustee knowledge and understanding

The Trustee Board

- 8.1. The Trustee Board comprises eight Trustee Directors, four of whom are nominated by the members and four of whom are appointed by the Company. One of the Company appointed Trustee directors, Steve Turner, is the chair.

Trustee knowledge and understanding requirements

- 8.2. The Trustee Directors have a working knowledge of the Trust Deed and Rules, the current Statement of Investment Principles, as well as knowledge of all documents setting out the Trustee's compliance. Details are provided in the table below, including the actions undertaken by the Trustee Directors to ensure they have sufficient knowledge and understanding of the law relating to pensions and trusts and relevant principles relating to funding and investment.

Approach

- 8.3. The Trustee Directors have evidenced their knowledge and understanding in a number of key areas (those areas being set out in the regulations):

Requirement	Activities over the Plan Year
<p>Trustees must have appropriate knowledge and understanding of the law relating to pension and trust law as well as relevant principles in relation to the funding and investment of the Plan</p>	<p>The Trustee Directors consider their 3-year rolling training plan in each meeting, which includes specific consideration of whether any further training is required in respect of these statutory areas.</p> <p>In addition, the Trustee receives updates from its advisers at regular Trustee and Sub-Committee meetings and throughout the year to keep abreast of recent developments in these areas.</p> <p>Trustee Directors are also required to complete the Pension Regulator's Trustee Toolkit and any new/revised relevant modules released. A record is kept of the training undertaken and this is reviewed at each meeting to ensure the appropriate training activities can be noted and actioned.</p> <p>At each of their meetings, the Directors consider a report that summarises forthcoming changes to regulations, their potential impact on the Plan and the actions that are required to ensure compliance.</p> <p>The Trustee Directors view these regular and ongoing training opportunities as an essential part of expanding their combined knowledge to exercise their function as Trustee of the Plan.</p>

Requirement	Activities over the Plan Year
	<p>During the Plan Year the Trustee Directors undertook ongoing training both as a group within the regular meetings and individually including:</p> <ul style="list-style-type: none"> • Pension transfers; • The Single Code of Practice and the Effective Systems of Governance • Whistleblowing; • Notifiable events; • Climate change; • Cyber risk; • Member options; and • Briefings on forthcoming changes to pension law and practice and the possible impact on the Plan.
<p>Trustees must be conversant with the Scheme's own documentation including Trust Deed and Rules, Statement of Investment Principles and current policies</p>	<p>The Trustee's review of their training requirements includes specific consideration of whether any further training is required in respect of these documents.</p> <p>During the Plan Year the Trustee Directors:</p> <ul style="list-style-type: none"> • Reviewed the Training Plan, the Annual Working Agenda, the Business Plan, the Compliance Checklist and the Risk Register at each meeting; • Reviewed the GDPR policy; • Reviewed the Effective System of Governance checklist and undertook a gap analysis; • Reviewed the Conflict of Interest policy.
<p>Knowledge and resources generally</p>	<p>From 15 March 2022, Steve Turner was appointed as a Trustee Director and became the Chair. There is a structured induction process for new Trustee Directors which includes, where required:</p> <ul style="list-style-type: none"> • Training from the Plan's legal advisors on Trust Law and conflicts of interest; • Attending a one-day introduction course on the duties and responsibilities of a scheme trustee; • Completing the Pensions Regulator's trustee toolkit; and • Undertaking an orientation of the Plan's online document repository so they can familiarise themselves with the Plan documentation and policies. <p>The Board comprises individuals with diverse professional skills and experiences, reflecting the varied nature of the challenges that its governance must address.</p> <p>The Trustee maintains a training log that sets out individual and whole-board based training activity.</p> <p>The Trustee's professional advisors attend all meetings and are asked to input into the agenda.</p>
<p>8.4.</p>	<p>The advice received by the Trustee Directors along with their own knowledge and experience, allows them to properly exercise their function as a Trustee Board. During the Plan Year the Trustee has received legal, accounting, investment and consulting advice as and when it has been required.</p>

Assessment

8.5. As a result of the training activities which have been completed by the Trustee Directors individually and collectively as a Board, and taking into account the professional advice available to the Trustee at and between quarterly meetings, the combined knowledge and understanding of the Trustee enables it to exercise properly its functions as the Trustee of the Plan.

Chair's declaration

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) 2015 (together 'the Regulations') and I confirm that the above statement has been produced by the Trustee of the PepsiCo UK Pension Plan to the best of my knowledge.

Steve Turner
Chair of Trustee

Dated: 3 April 2023

This document was signed by Steve Turner, the Chair of Trustee, on 3 April 2023

Appendix – Illustrations on the impact of cost and charges

- A1.1. To demonstrate the impact of member-borne charges and transaction costs on the value of members' pension savings, the Trustee has produced illustrations in accordance with statutory guidance. These show the impact of charges and transaction costs for representative cross-sections of the membership and investment options.
- A1.2. In order to provide meaningful illustrations, the Trustee has focused on the legacy money purchase arrangements given the size and closed nature of the assets held in the with-profits AVC arrangements.

Parameters used for the illustrations

- A1.3. The membership of the legacy money purchase arrangements and the investment options offered were analysed in determining the parameters to be used.
- A1.4. **Pot size:** average pot size of £54,000 has been used as this is the average legacy money purchase pot size at 30 September 2022.
- A1.5. **Deferred members:** as at the end of the Plan Year, all members are deferred members. On this basis, illustrations have been provided assuming that no additional contributions can be made into the scheme.
- A1.6. **Timeframe:** the illustrations are shown over a 35 year time frame as this covers the approximate duration that the youngest member (aged 32) would take to reach retirement age.
- A1.7. **Investment options:** the investment options selected for the illustrations include the most popular by number of members (the 'default' lifestyle option), the alternative default options and the highest and lowest charged funds. The costs and charges shown were for the Plan Year.

Investment option	Rationale for inclusion	Assumed return above inflation*	TER	Transaction cost**
Lifestyle investment option	Most popular choice and a default option	-2.50% to 3.00%	0.0153% to 0.1236%	0.0054% to 0.0105%
Default BlackRock Aquila Life (30:70) Currency Hedged Global Equity Index Fund	Legacy default option	3.00%	0.0153%	0.0054%
Default BlackRock Aquila Life Cash Fund	Legacy default option and fund with the highest charge	-2.50%	0.1236%	0.0105%
BlackRock Aquila Life Over 5 Year Index-Linked Gilt Index Fund	Fund with the lowest charge	-0.50%	0.0036%	0.0353%

* Projected growth rates, gross of costs and charges, for each investment option are in line with the 2022 Statutory Money Purchase Illustrations (SMPIs).

** The statutory guidance requires trustees to use an average of the last five years' transaction costs (insofar as they are able) when producing the illustrations.

Guidance to the illustrations

- A1.8. For each illustration, the savings pot has been projected twice: first for the assumed investment return gross of costs and charges; and second for the assumed investment return net of costs and charges.
- A1.9. Projected pot sizes are shown in today's terms, so do not need to be reduced further for the effects of future inflation. Inflation is assumed to remain constant throughout the term of the illustrations, at 2.5% per year.

A1.10. Values shown are estimates and not guaranteed.

A1.11. The starting date for the illustrations is 30 September 2022.

A1.12. The illustrations are presented in two different ways:

- a. For the default lifestyle strategy, the illustrations should be read based on the number of years until the member reaches their retirement age. This is because the underlying funds used and therefore the costs and charges change over time and this is reflected in the illustrations.
- b. For the default and other self-select funds, the illustrations should be read based upon the number of future years that a member expects to be invested in those funds.

Default lifestyle investment option

A1.13. This is the most popular choice by number of members.

Illustration basis	Years of membership	Starting pot size £54,000	
		Before charges	After charges
Deferred member	0	£54,000	£54,000
	1	£53,262	£53,204
	5	£56,109	£55,928
	10	£64,815	£64,543
	15	£74,871	£74,484
No contribution	20	£86,489	£85,957
	25	£99,908	£99,197
	30	£115,410	£114,476
	35	£133,318	£132,109

A1.14. **Note on how to read this table:** If a member had £54,000 invested in this option on 30 September 2022, when they came to retire in 10 years, the savings pot could grow to £64,815 if no charges are applied but to £64,543 with charges applied.

Non-lifestyle investment choices

A1.15. The table below shows the following legacy money purchase funds: the BlackRock Aquila Life (30:70) Currency Hedged Global Equity Index Fund (a legacy default fund), the BlackRock Aquila Life Cash Fund (another default fund and the fund with the highest charges) and the BlackRock Aquila Life Over 5 Year Index Linked Gilt Index Fund (the fund with the lowest charges).

Illustration basis (starting pot size £54,000)	Years of membership	Default BlackRock Aquila Life (30:70) Currency Hedged Global Equity Index Fund		Default BlackRock Aquila Life Cash Fund		BlackRock Aquila Life Over 5 Year Index Linked Gilt Index Fund	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Deferred member No contribution	0	£54,000	£54,000	£54,000	£54,000	£54,000	£54,000
	1	£55,580	£55,570	£52,683	£52,612	£53,737	£53,716
	5	£62,379	£62,318	£47,728	£47,409	£52,696	£52,595
	10	£72,058	£71,916	£42,185	£41,622	£51,423	£51,227
	15	£83,238	£82,994	£37,285	£36,542	£50,181	£49,894
	20	£96,154	£95,777	£32,955	£32,082	£48,969	£48,596
	25	£111,073	£110,529	£29,127	£28,166	£47,786	£47,332
	30	£128,307	£127,554	£25,744	£24,728	£46,632	£46,101
35	£148,216	£147,201	£22,754	£21,710	£45,506	£44,901	

A1.16. **Note on how to read this table:** If a member had £54,000 invested in the BlackRock Aquila Life Cash Fund on 30 September 2022, then after 10 years of membership, the value of the savings pot in real terms could become £42,185 if no charges are applied but £41,622 with charges applied.