

DEFAULT ARRANGEMENTS STATEMENT OF INVESTMENT PRINCIPLES – SEPTEMBER 2025

PEPSICO UK PENSION PLAN

1. Introduction

PepsiCo UK Pension Plan Trustee Limited (“the Trustee”), the corporate trustee of the PepsiCo UK Pension Plan (“the Plan”), has drawn up this Default Statement of Investment Principles to cover the Defined Contribution investments deemed to be a Default by virtue of a bulk switch of assets for members of the Defined Contribution Section of the Plan, and members’ Additional Voluntary Contributions (AVCs) under the Plan, which was undertaken without member consent. This Statement is designed to meet the requirements of the Pensions Act 1995 (“the Act”) and the Occupational Pension Schemes (Investment) Regulations 2005, and the Trustee has been advised by its legal advisers that it incorporates all the requirements of the Act. This Statement is additional to the Statement of Investment Principles for the overarching Plan that was written in September 2025. As required under the Act, the Trustee has obtained and considered appropriate written advice.

This Statement sets out the general principles underlying the Default investment policy within the Defined Contribution section of the Plan. Details of how this policy has been implemented are set out in a separate Investment Implementation Policy Document (“IIPD”) and Environmental, Social, and Governance (“ESG”) Policy, which are not part of the Statement but can be obtained on request. The Trustee’s ESG Policy is also available online at www.pepsico.co.uk/pension-plan-members.

2. Overall Policy, Investment Objectives and Risk

The Trustee holds certain Defined Contribution assets on behalf of members of the Plan. These include AVCs and assets relating to legacy money purchase benefits in the Quaker Pension Scheme and the Huntley & Palmer Money Purchase Pots or Special Transfer Credits. Given the historic nature of these assets, a default investment option had not previously been formally established. However, the following investment changes were undertaken without members’ explicit consent and as such the receiving funds are deemed to be a “default” arrangements requiring additional disclosures. These default arrangements are as follows:

- In August 2015, members assets in the underlying Global Equity Fund were transferred to an alternative Global Equity Fund.
- In January 2020, following the closure of Equitable Life, AVC assets held with Equitable Life were transferred to Utmost Life and Pensions, before being transferred to the Plan’s Lifestyle Investment Option (if more than 5 years away from Selected Retirement Age) or the Cash Fund (if within 5 year of Selected Retirement Age).

Therefore, the Global Equity Fund, the Cash Fund and the Lifestyle Investment Option are all default arrangements. In this statement, we have classified the Global Equity Fund and the Cash Fund as Additional Default Arrangements.

2.1. Investment Objective

The Trustee's objective for the Lifestyle Investment Option (which is also a default arrangement for some ex-Equitable Life members – as noted above) of the money purchase elements of the Plan (including AVCs) is to assist members to provide adequately for themselves in retirement via appropriate investment of their accumulated savings under the Plan.

The aims of the Lifestyle Investment Option are as follows:

- i) In designing the Lifestyle Investment Option, the Trustee has explicitly considered the trade-off between risk and expected returns.
- ii) If members wish to, they can opt to choose their own investment strategy. Prior to the bulk switch of Equitable Life funds, members were invited to make an active investment decision and can do so at any other future date.
- iii) Assets in the Lifestyle Investment Option are invested in the best interests of members and beneficiaries, taking into account the profile of members and expectations as to how they will draw on their DC and AVC assets at retirement.
- iv) Assets in the Lifestyle Investment Option are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.
- v) As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a default option that seeks to reduce investment risk as members approach their retirement is appropriate.

2.2. Risk

The Trustee has considered risk from a number of perspectives. These are:

- i) The risk that a low investment return over the members' working lives might negatively impact the level of benefits available at retirement.
- ii) The risk that relative market movements in the years just prior to retirement might lead to a substantial reduction in the level of benefits which would otherwise be available.
- iii) The risk that the chosen Investment Manager might underperform the benchmark return against which the manager is assessed.

2.3. Investment Strategy

The Trustee, having taken expert advice, believes that the Lifestyle Investment Option (the lifestyle strategy and the underlying constituent funds described in Section 2.4 below) is appropriate to meet the Trustee's objective as set out in Section 2.1 and will address the risks identified in Section 2.2. The Lifestyle Investment Option was last reviewed in November 2023, and assessed as broadly fit for purpose.

The Trustee takes into account the impact of financially material considerations on the investments at least triennially, including how those considerations are taken into account in the selection, retention and realisation of investments. This also includes ESG considerations, which the Trustee considers to be financially material to the Plan. Further details on this is provided in the 'ESG, Stewardship, and Climate Change' Section.

2.4. Lifestyle Investment Option

The Lifestyle Investment Option aims to generate investment returns, in a risk controlled manner, which are sufficient to provide a reasonable level of retirement benefits for members, given the level of contributions historically paid into the Plan.

Assets are initially invested in the Global Equity Fund, with the aim of providing a return above inflation, over the long-term. When a member reaches 5 years from their Target Retirement Date ("TRD"), or Normal Retirement Date ("NRD") if no TRD has been selected, existing funds will be switched to reduce the holding in the Global Equity Fund and increase the holding in the Cash Fund (reverse switching is not permitted). The objective is to provide protection against capital loss, with a view to providing members with a cash lump sum at retirement.

These switches take place quarterly in January, April, July and October, with each member's initial switch occurring in the quarter 5 years prior to their NRD/TRD. The switches will occur in line with the distributions summarised in the table below:

Period until NRD/TRD	% of assets in Global Equity Fund	% of assets in Cash Fund
Prior to 5 years	100	0
5 years	95	5
4 years 9 months	90	10
4 years 6 months	85	15
4 years 3 months	80	20
4 years	75	25
3 years 9 months	70	30
3 years 6 months	65	35
3 years 3 months	60	40
3 years	55	45
2 years 9 months	50	50
2 years 6 months	45	55

Period until NRD/TRD	% of assets in Global Equity Fund	% of assets in Cash Fund
2 years 3 months	40	60
2 years	35	65
1 years 9 months	30	70
1 years 6 months	25	75
1 years 3 months	20	80
1 year	15	85
9 months	10	90
6 months	5	95
3 months	0	100
Position until benefits settled	0	100

3. Policy on Illiquid Investments

The Trustee considers illiquid assets as assets of a type which cannot easily or quickly be sold or exchanged for cash. Neither the Lifestyle Investment Option, nor the range of self-select fund options made available to members, include any direct or indirect exposure to illiquid investments.

The Trustee understands the potential for higher returns and the benefits of diversification, relative to more traditional asset classes (such as bonds or equities), that illiquid assets can offer. While these potential benefits are recognised by the Trustee, the Trustee is also aware of the associated risks for members. Given the potential for valuations of illiquid assets to not reflect their true value at a given time, as well as concerns over liquidity management, the Trustee does not consider direct investment in an illiquid asset fund to be suitable for members of the Plan at present, but will continue to monitor developments. In principle, the Trustee would be comfortable indirectly investing in a small proportion of illiquid assets (noting it does not do so currently), where such assets formed a component of a daily-dealing multi-asset fund, to capture the potential benefits associated with investing in illiquid assets.

In selecting investments for the Lifestyle Investment Option, the Trustee uses both qualitative and quantitative analysis to consider the expected impact of different strategic allocation mixes. For any future investment, the Trustee carefully considers whether the investment provides value for members, accounting for the return potential and associated risks. It is the Trustee's policy to review the allocation of the Lifestyle Investment Option on at least a triennial basis. Such reviews will include whether the incorporation of illiquid asset investments is appropriate.

4. ESG, Stewardship, and Climate Change

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

While the Trustee has no formal process for seeking the views of members on ethical considerations or on issues such as social and environmental impact, it will consider views expressed by members provided that they are consistent with the Plan's investment objectives as set out in 2.1 above.

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

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes when appointing new Investment Managers and monitoring existing Investment Managers. Monitoring is undertaken on a regular basis and is documented at least annually.

The Trustee's key stewardship themes are as follows:

- i) Environment – climate change and nature.
- ii) Social – human rights.
- iii) Governance – audit quality.

The Trustee has determined these priorities based on the Trustee Directors' ESG beliefs, taking into account the Company's strategic priorities on ESG and sustainability matters. The Investment Managers are aware of the Trustee's policies on stewardship and engagement.

Further details are provided in the ESG Policy.

5. Additional Default Arrangements

The Trustee regularly reviews the Lifestyle Investment Option and the fund range offered to members and makes changes to the funds available if appropriate.

As noted above, switching members between funds without their consent can result in funds also being determined to be 'default' arrangements requiring additional disclosures. The Plan's default arrangements have been created in this manner as follows:

Fund	Date of Change	Reason
Equity Fund	August 2015	Having received advice, the Trustee moved members' assets from one global equity fund to another as they believed that the recipient Global Equity Fund was more appropriate.

Fund	Date of Change	Reason
Cash Fund	January 2020 – June 2020	On 1 January 2020, member AVC legacy assets were transferred from the Equitable Life With Profits Fund to the Utmost Life and Pensions Secure Cash Fund. Subsequently, member assets were transferred to the Plan's Lifestyle Option (if more than 5 years away from Selected Retirement Age) or the Cash Fund (if within 5 year of Selected Retirement Age). The Cash Fund was chosen for members close to retirement in order to preserve the capital value of member assets.
Lifestyle Option	January 2020 – June 2020	On 1 January 2020, member AVC legacy assets were transferred from the Equitable Life With Profits Fund to the Utmost Life and Pensions Secure Cash Fund. Subsequently, member assets were transferred to the Plan's Lifestyle Option (if more than 5 years away from Selected Retirement Age) or the Cash Fund (if within 5 year of Selected Retirement Age). The Lifestyle Option was chosen for members more than 5 years away from retirement in order to allow member assets to achieve capital growth with appropriate risk reduction as they approach retirement.

In designing the Additional Default Arrangements, the Trustee has explicitly considered the trade-off between risk and expected returns. Furthermore:

- i) Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.
- ii) If members wish to, they can opt to move assets away from the Additional Default Arrangements and choose their own investment strategy at any time.
- iii) Assets in the Additional Default Arrangements are invested in the best interests of members and beneficiaries, taking into account the objectives of the arrangements.
- iv) Assets in the Additional Default Arrangements are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.
- v) Assets are invested in pooled funds which are daily dealing and readily realisable.

The Trustee's policy in respect of the Additional Default Arrangements is summarised in the table below:

Fund	Fund Objective and Investments Held	Trustee Objective and Expected Risk and Return
Equity Fund	The fund aims to provide long term capital growth by investing in the stocks and shares of a range of companies listed across the globe.	<p>The Trustee's objective in using this fund as an Additional Default is to aim to provide long-term capital growth using a fund which invests solely in global equities. It is also appropriate as the cost of this fund is below the charge cap.</p> <p>The fund has one of the highest expected volatilities of the funds available in the Plan.</p>
Cash Fund	The aim of the fund is to provide a cash-like rate of return by investing in high quality, short-term money market and fixed income securities.	<p>The Trustee's objective in using this fund as an Additional Default is to aim to preserve the value of any contributions invested rather than to seek long-term investment growth. It is also appropriate as the cost of this fund is below the charge cap.</p> <p>The fund has the lowest expected volatility of the funds available in the Plan.</p>

6. Investment Manager Appointment, Engagement and Monitoring

Details of how the Trustee appoints the Investment Managers, takes advice from their Investment Consultant, and monitors performance are outlined in the main Statement of Investment Principles.

The Trustee specifically reviews the Investment Manager fees and considers portfolio turnover costs as part of the annual Value for Money ("VfM") assessment.

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

For Defined Contribution assets, all the funds are open-ended with no set end date for the arrangement. The Trustee will retain an Investment Manager unless:

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

The Lifestyle Investment Option is reviewed on at least a triennial basis (along with the self-select fund range). This review includes an assessment of the extent to which the investment return (after investment charges) is consistent with the Trustee's aims and objectives. A manager's appointment may be terminated if it is no longer considered to be optimal nor has a place in the Lifestyle Investment Option or general fund range.

7. Compliance with this Statement

The Trustee is committed to maintaining the accuracy of this Statement on an ongoing basis. The Trustee is committed to review this Statement at least once every three years, or without delay after any significant change in investment policy or the demographic profile of relevant members. The Trustee will obtain written confirmation from the Investment Managers that they have complied with this Statement and the Trustee undertakes to advise the Investment Managers promptly and in writing of any material change to this Statement.

The Trustee's investment responsibilities are governed by the Plan's Trust Deed and this Statement takes full regard of its provisions. A copy of the Plan's Trust Deed is available for inspection upon request.

8. Review of this Statement

The Trustee will review this Statement following the triennial review and in response to any material changes to any aspects of the investment arrangements detailed above or circumstances which it judges would have a bearing on the Statement. Any such review will again be based on written, expert investment advice.

Signed on behalf of PepsiCo UK Pension Plan Trustee Limited

Signed: Steve Turner, Chair of Trustee

Date: 17 September 2025