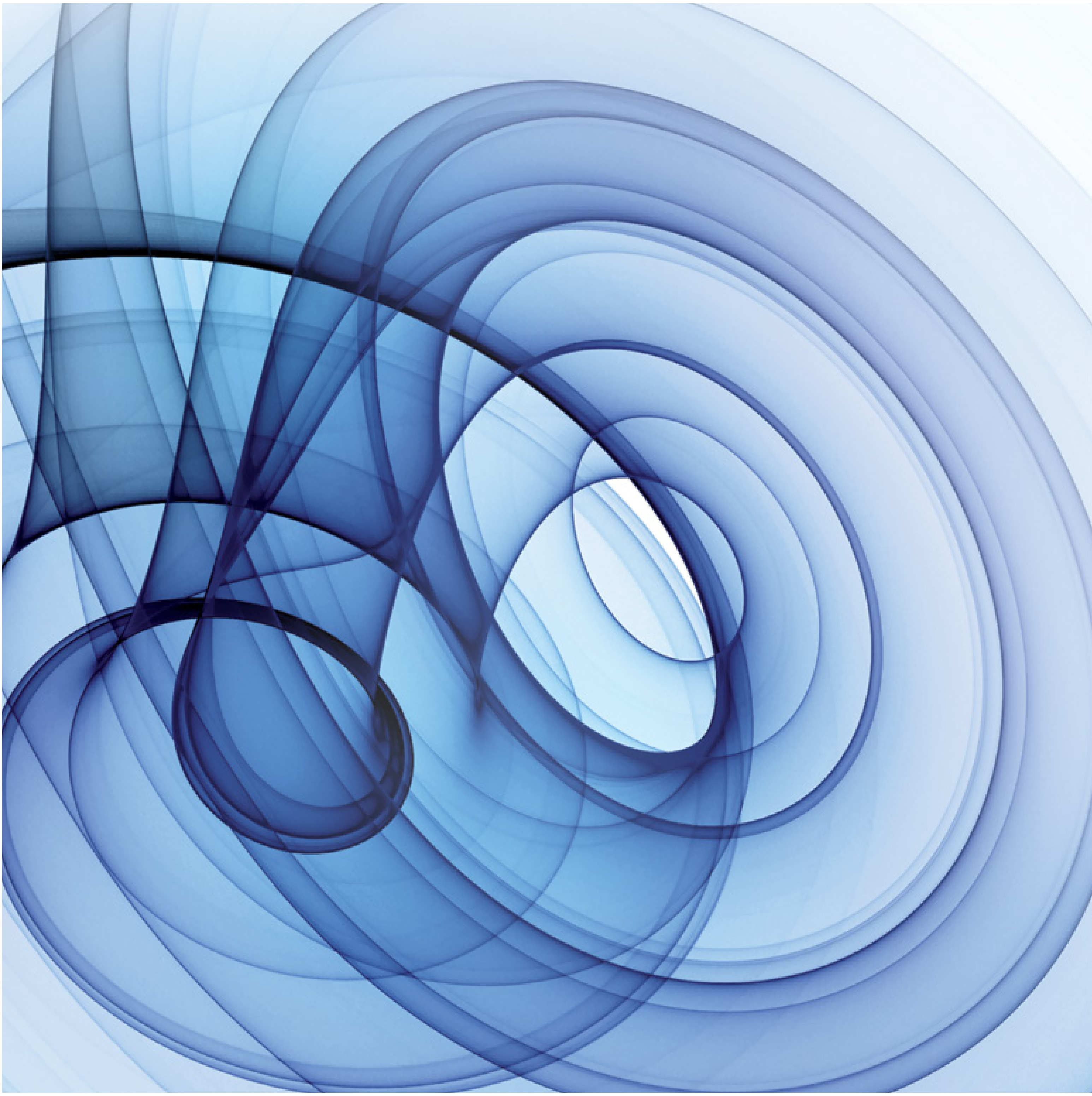
Emerson UK Defined Contribution (DC) Pension Scheme

INVESTMENT GUIDE



YOUR INVESTMENT OPTIONS

You have two different options for your investments; the self-select option or the "lifestyle" option. The best option for you will, to a large extent, depend on how comfortable you are with managing your own investments.

The self-select option

Under the self-select option, you choose what proportion of your pension account and what proportion of future contributions are to be invested in each of the investment funds available in the Plan's self-select range, which is set out on pages 7 and 8. You would then need to instruct the Plan administrator, Buck, as to when you wanted to change those proportions.

If you choose this option, it is important that you review your chosen investments regularly to ensure that they continue to be suitable for your circumstances.

The self-select option is suitable if you wish to keep a close eye on the investment of your pension account and to decide for yourself if, and when, to switch those investments. There are 10 self-select funds to choose from. Each has a different investment objective and offers a different level of risk and potential for growth. Your choice will depend on the level of risk you are prepared to take and may be determined by your age, attitude to risk, any other savings and potentially additional factors such as your religious beliefs or your views on responsible investing.

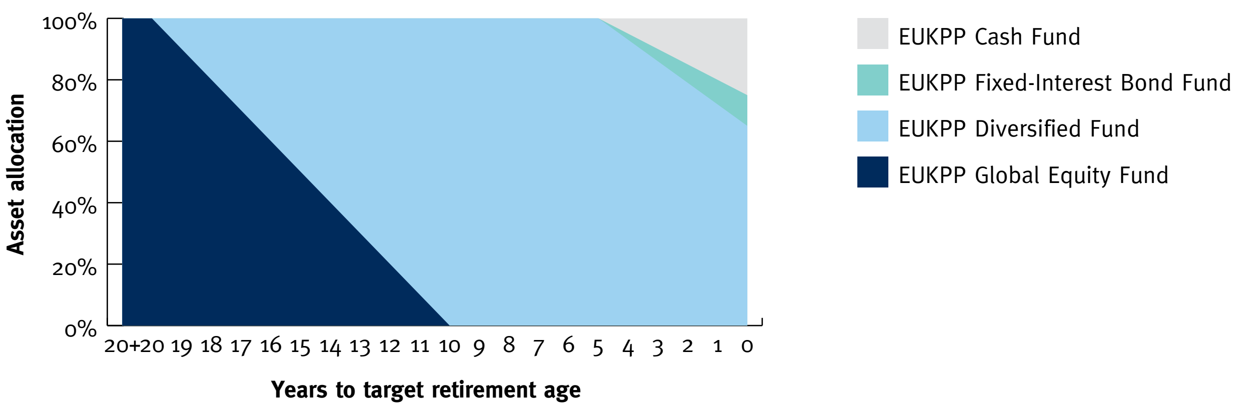
The lifestyle options

Whilst making investment choices can seem quite complicated, the Trustee and its advisers have designed several 'lifestyle' investment options.

A lifestyle strategy aims to grow your pension account during your career and then to 'de-risk' your account as you approach your target retirement date. Our strategies do this by moving your pension account from higher-risk growth assets into more stable investments, as you approach your retirement date.

Three different lifestyle strategies are available, designed to move your investments as you approach retirement into funds that aim to align with a chosen retirement option.

1. Drawdown lifestyle (this is the Plan's default investment strategy)



This lifestyle option may be appropriate if you wish to take the maximum tax-free cash sum of 25% of your pension account and draw an income from your residual pension account in retirement whilst remaining invested, this is called 'drawdown'. The Total Expense Ratio (TER*) for this lifestyle will range from 0.15% - 0.20%, depending on your proximity to your target retirement age.

2. Annuity lifestyle

This lifestyle option may be appropriate if you wish to take the maximum tax-free cash sum of 25% of your pension account and purchase an annuity using your residual pension account. The TER for this lifestyle will range from 0.14% - 0.20%, depending on your proximity to your target retirement age.

3. Lump Sum lifestyle

This lifestyle option may be appropriate if you wish to take the entire value of your pension account as a cash lump sum(s) (including the maximum tax-free cash sum of 25% of your pension account). The TER for this lifestyle will range from 0.12% - 0.20%, depending on your proximity to your target retirement age.

**The TER is the total amount of charges payable for the investment fund/strategy selected. It includes the total costs associated with managing and administering the fund/strategy but excludes transaction costs which are monitored and reported separately through the Trustee's Annual Governance Statement.*

It is important to note that whichever lifestyle strategy you choose to invest in, you are not committed to a particular retirement decision. Your choice of lifestyle strategy will affect how your pension account is invested in the underlying funds at retirement, which are designed to align with that retirement choice.

If you choose a lifestyle strategy, it is important that you also choose your target retirement age. Your target retirement age will determine when your pension account will start to de-risk. If you do not make a choice, your target retirement age will be age 65.

YOUR INVESTMENT OPTIONS CONTINUED

How do the lifestyle strategies work?

As can be seen from the graphs on the previous pages, all of the lifestyle strategies share the same funds during the growth phase (up to 5 years before your target retirement age). However, as they each assume a different form of benefit at retirement, they automatically switch your investments into a range of funds that broadly aligns with that benefit type. They also assume that you will draw the maximum available tax-free cash sum of 25% of your pension account.

Up to 20 years before your target retirement age, all three of the lifestyle strategies invest in the EUKPP Global Equity Fund.

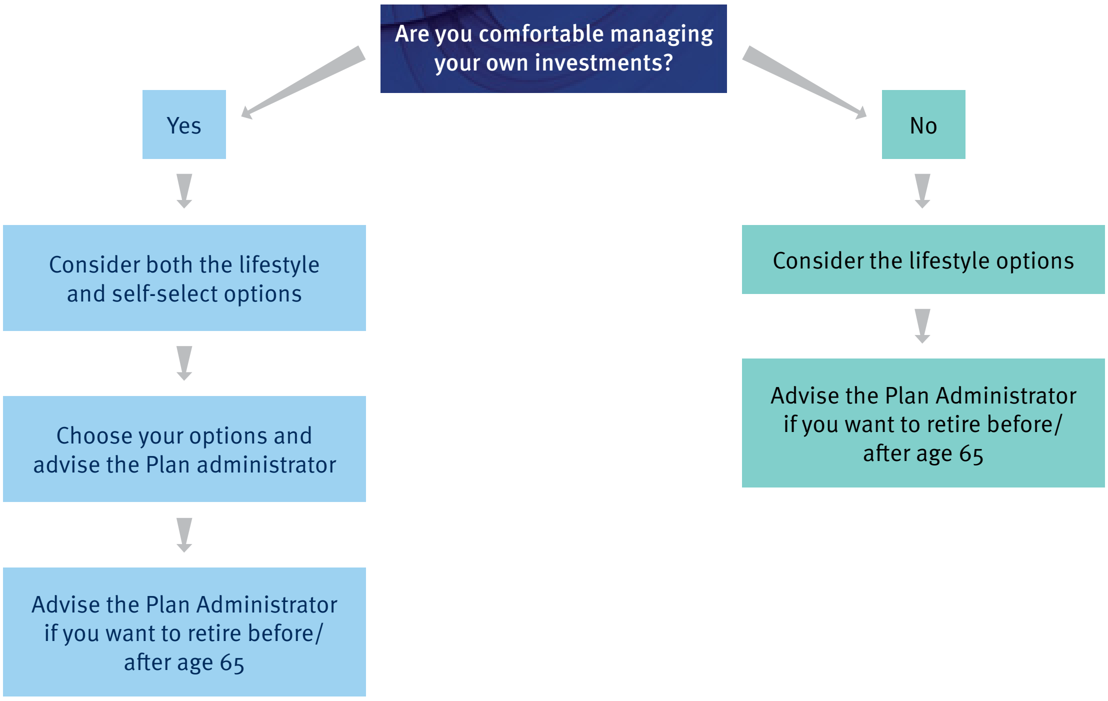
From 20 years before your target retirement age, the EUKPP Diversified Growth Fund is introduced.

Investments from these funds are then switched 5 years before your target retirement date into relatively lower risk funds depending on the strategy you are invested in. At your target retirement date your pension account will be split as follows:

- The Drawdown lifestyle (default investment strategy) – 65% is invested in the EUKPP Diversified Fund, 10% is invested in the EUKPP Fixed-Interest Bond Fund, and 25% is invested in the EUKPP Cash Fund.
- The Annuity lifestyle – 75% is invested in the EUKPP Fixed-Interest Bond Fund, and 25% is invested in the EUKPP Cash Fund.
- The Lump Sum lifestyle – 100% is invested in the EUKPP Cash Fund.

If you are invested in any of the lifestyle strategies, it uses a target retirement age which can be any age from 55 to 75. **Therefore, it's important to consider the likely age you intend to retire**. To change your target retirement age, please log onto the Emerson Pension Portal. Your target retirement age will remain at 65 unless you choose to update it.

INVESTMENT CONSIDERATIONS



Decisions concerning personal DC savings and investments can be very difficult. Whilst the Trustee cannot give you advice here are some general guidelines on investing:

1. Time will allow the *power of compounding* to grow your investments. Investing early in your savings journey means that you can benefit from investment returns over a longer period, including interest earned on the savings you've already built up. Interest (by way of investment returns) gets paid into your pension account and is then reinvested, meaning the more compound interest you generate, the larger your pension account could be at retirement.

2. *Diversification* of assets and asset classes can help to reduce risk.

The Trustee recognises the complexity and time involved in making investment choices, and that not everyone will be familiar with the terms used in this investment guide, or the differing risk and return characteristics of the funds offered in the Plan. Therefore, the Trustee has created the lifestyle options for you which are designed to align with how you wish to take your pension account at retirement. These lifestyle strategies are not suitable for all members, so it is important you consider your own personal circumstances when deciding how your pension account should be invested.

With any investment, you should always bear in mind when making investment decisions what the investment is for, because this will generally dictate what investments might be suitable. As you consider which option may be right for you, you may also want to consider the potential risks surrounding pension investment – and how you can manage them. The following section describes these potential risks. *It is not intended as advice, if you need guidance you should see a Financial Adviser (you can find one in your area by visiting www.moneyhelper.org.uk). Please note that there may be a cost involved in any advice obtained. Neither the Trustee nor the Company will reimburse you for any costs associated with obtaining financial advice.*

INVESTMENT CONSIDERATIONS CONTINUED

Short term volatility risk

This is the risk you're most likely to think of first, but it's very important to remember to keep it in perspective. Whilst watching the value of your pension account fall is not a nice experience, you must remember that saving for your retirement is a long-term investment.

If you are a long way from retirement, your pension account has more time to recover from any short term drops in capital value. However, if you are invested in high-risk funds (i.e. equities) within a few years from retirement and the stock market drops, there may not be enough time for stock markets to recover before you retire. This risk could be mitigated by having your pension account invested in a proportion of lower-risk funds (i.e. cash and/or bonds) rather than fully invested in high-risk funds as you near retirement.

The risk of poor investment returns over the long-term (opportunity cost risk)

If you are *too* risk averse when retirement is a long way off, it is likely that your pension account will not grow as much as it would have done if you had been less conservative. You risk either ending up with a much lower pension than you might otherwise have had, or having to contribute much more than you might otherwise have needed to contribute to achieve the desired pension income. This risk could be mitigated by investment in higher risk funds (which typically have higher levels of return) such as equities, while you are still some years from retirement, rather than lower risk funds (which typically have lower levels of return) such as bonds and/or cash.

Pension conversion risk

As you approach retirement and how you intend to use your pension account at retirement becomes a consideration, conversion risk becomes more relevant.

If you intend to use your pension account to purchase an annuity, conversion risk is the risk of your pension account not keeping up with the price of annuities at the time you retire. The cost of buying an annuity rises as long-term interest rates fall. Therefore, the risk is that long-term interest rates fall as you approach retirement, meaning that the cost of buying an annuity increases and therefore, you secure a reduced level of pension income. This risk could be mitigated by having your pension account invested in funds that broadly match the changes in fixed annuity prices, such as the EUKPP Fixed-Interest Bond Fund, as retirement draws near.

If you intend to withdraw your pension account as a cash lump sum(s), conversion risk is the risk that your pension account will be exposed to capital risk and will not have preserved its value. This risk could be mitigated by having your pension account invested in more stable investments as you approach retirement, such as the EUKPP Cash Fund.

If you intend to use income drawdown in retirement, conversion risk is the risk that your assets are invested in a different proportion (higher or lower) of growth assets than you wish to hold in retirement. You may therefore be exposed to inflation or volatility risk. This risk could be mitigated by ensuring you are invested in a diversified range of asset classes.

Inflation risk

The investment returns of some asset classes may not keep pace with inflation and the value of your pension account could therefore fall in real terms.

Timing risk

You may decide (for example) that you want to switch your investments from equities to cash and/or bonds as part of your pre-retirement investment strategy. But you risk losing out if you choose a bad time to switch in terms of market pricing. This risk could be mitigated by staging the switch over a period of time rather than switching all in one go.

External factors

Your attitude to the risks associated with your pension investment might also depend on how large the investment is in relation to your other savings and investments – and to other pension benefits you can expect to receive from elsewhere (including State pension benefits). If you also have a pension from a previous employer, or substantial savings, for example, you may feel more relaxed about your investment risks than you might otherwise be.

YOUR SELF-SELECT INVESTMENT OPTIONS

You may prefer to make your own investment choice from the range of specially selected self-select funds. Your investment strategy remains a personal choice.

Asset class	Fund name	Description	Underlying fund(s)	Capital Risk	Inflation Risk	Pension Conversion Risk	TER
Equities	**EUKPP Global Equity Fund**	Invests in global listed shares in developed and developing countries which are assessed to consider the approach companies take to Environmental, Social and Governance (ESG) issues. The fund aims to perform in line with the benchmark.	L&G MSCI ACWI Adaptive Capped ESG Index Fund	High	Low	High	0.15%
	EUKPP World (ex-UK) Equity Fund	Invests in global (excluding the UK) listed shares in developed and developing countries. The fund aims to perform in line with the benchmark.	L&G World (ex-UK) Equity Index Fund	High	Low	High	0.18%
	EUKPP UK Equity Fund	Invests in shares listed in the UK. The fund aims to perform in line with the benchmark.	L&G UK Equity Index Fund	High	Low	High	0.12%
	EUKPP Shariah Global Equity Fund	Invests in global listed shares in a Shariah compliant manner. The fund aims to perform in line with the benchmark.	HSBC Islamic Global Equity Index Fund	High	Low	High	0.35%*
Multi-asset	**EUKPP Diversified Fund**	Invests in a broad range of asset classes including global equities, corporate bonds, emerging market government debt and a range of alternative assets (e.g. infrastructure and property). The fund aims to achieve its performance target over a normal market cycle.	L&G Diversified Fund	Medium	Low	High	0.20%

*This includes a Legal & General platform fee of 0.05%.

YOUR SELF-SELECT INVESTMENT OPTIONS CONTINUED

Asset class	Fund name	Description	Underlying fund(s)	Capital Risk	Inflation Risk	Pension Conversion Risk	TER
Bonds	**EUKPP Fixed-Interest Bond Fund**	Invests in UK government and sterling corporate bonds to broadly match the changes in fixed annuity prices.	L&G Pre-Retirement Fund	Medium	Medium	Low (fixed annuities)	0.15%
	EUKPP UK Corporate Bond Fund	Invests in high credit quality sterling corporate bonds. The fund aims to perform in line with the benchmark.	L&G AAA-AA-A Corporate Bond All Stocks Index Fund	Medium	Medium	Low/ Medium (fixed annuities)	0.15%
	EUKPP All Stocks Gilts Fund	Invests in bonds issued by the UK Government. The fund aims to perform in line with the benchmark.	L&G All Stocks Gilts Index Fund	Medium	Medium	Low (fixed annuities)	0.10%
	EUKPP Inflation-Linked Gilts Fund	Invests in inflation linked bonds issued by the UK Government. The fund aims to perform in line with the benchmark.	L&G Over 5 Year Index-Linked Gilts Fund	Medium	Low	Low (indexed annuities)	0.10%
Cash	**EUKPP Cash Fund****	The fund primarily holds short term deposits with a range of high-quality financial institutions. The fund may also invest in UK treasury bills. The fund aims to provide a competitive return in relation to 7-Day LIBID.	L&G Cash Fund	Low	High	Medium	0.12%

EUKPP = Emerson UK Pension Plan

**Although this fund aims to protect the capital value of your investment, this cannot be guaranteed. Under certain circumstances, the price of units in this fund can fall.

The highlighted funds are currently used in the lifestyle strategies. See pages 2 and 3 for more information.

Management style

Passively managed funds

The investment options provided by the Trustee are passively managed. Index tracking is a common passive investing strategy, where the manager of a passive fund invests in shares to match and track a benchmark index, such as the FTSE All-Share Index. Therefore, an index fund typically has lower fees and operating costs than an actively managed fund, as it manages to avoid the fees associated with frequent trading. However, index tracking passively managed funds will not outperform given they're designed to track a benchmark. They are also subject to market risk, where the value of investments will fall if stock or bond prices fall.

Actively managed funds

Active fund managers choose investments with the aim of delivering a performance that is better than its stated benchmark or index, regularly making decisions to buy, sell or hold assets to achieve this. Actively managed funds have higher fees than passively managed funds, to reflect the analysis and research undertaken to inform the investment decisions, as well as the operating costs associated with the more frequent trading. Whilst the goal of actively managed funds is to outperform the market, this is not always the case and so out-performance cannot be guaranteed.

SOME USEFUL TERMS...

Annuity

An annuity is a product provided to you by an insurance company. The annuity will pay you a regular taxable income for a period of time, or for your life. There are lots of options to consider when purchasing an annuity, including:

- Whether you want your annuity to cease on your death, or a proportion to be paid to a spouse or dependant for the rest of their life.
- If you want to purchase an annuity with a guarantee period, which means that if you die during that period the remaining instalments will be paid to your dependant(s) either as a lump sum or pension.
- If you require your annuity to increase over time.

It is also important to disclose any health conditions you may have including whether you are a smoker, as this could result in you receiving a higher annuity.

Bonds

Both companies and governments borrow money by selling bonds to investors by promising to pay interest at a specified rate during the lifetime of the bond and (usually) a capital sum at the end. Sometimes the interest and the final repayment are linked to increases in an index (for example, the Retail Prices Index), and these are known as 'index-linked' bonds. Bonds issued by the UK Government have a high rating in terms of the issuer's ability to pay, and are known as 'gilt edged' bonds or 'gilts'. Bonds may be short-dated (typically 5 years away or less) or long-dated (typically 15 years away or more). The returns from bonds are made up of the interest received whilst they are held, and the change in their stock market price over the period they are held. This return can be both volatile and negative over the short term.

Cash

This generally means deposits, but may also include short-term deposits. Returns on cash will generally vary in line with bank lending rates.

Diversification

The mixing of different types of assets in a portfolio. This way, when one type of investment is doing poorly, another may be doing well. Your winners help offset your losers, and the value of your overall portfolio doesn't move up and down so much.

Equities

Equities are company shares and are bought and sold on a stock market. The return from equities will be made up of the dividends received whilst they are held, and the change in their stock market price over the period they are held. This return may be negative for some time periods, but equities have historically produced stronger returns than other alternatives over longer periods of time.

Power of Compounding

The process of earning interest on interest over time. This is especially valuable in pension accounts where earnings are growing tax deferred.

Responsible investing and ESG (Environmental, Social and Governance)

Global challenges such as climate risk, social and demographic shifts, and data and security concerns, along with increased regulatory and legislative pressures, has increased the focus on company practices. Therefore how individuals and institutions invest in such companies has come under increased scrutiny. Responsible investing is the practice of considering environmental, social and governance factors alongside financial factors in the investment decision-making process or in the design of the benchmark indices.

MANAGING YOUR INVESTMENTS

EMERSON

Emerson Pension Portal

The Trustee also wants to remind you that the easiest way to get information about or manage your savings in the Plan is to access information on the Plan website and manage your savings via the Emerson Pension Portal.

The Portal is a one-stop-shop for a range of information and actions including:

- Details about your benefits within the Plan
- Manage your personal details and communication preferences
- Manage your investments (now and after the above mentioned changes)
- Update your beneficiary information
- Use Buck's DC Retirement Modellers

To access the Pension Portal, visit the OneEmerson website at **www.oneemerson.co.uk** on your computer browser, tablet or smartphone and follow the **'Log In'** link at the top of the page.

If you have not previously registered, follow the 'First time user?' link and complete the process using your personal details and the Unique ID sent to you in September.

USEFUL CONTACTS

You can contact the Plan Administrator at the address shown below if you have any queries about the investment fund options or the Plan in general:

Emerson UK Pension Plan
Buck (Manchester)
PO Box 324
Mitcheldean
GL14 9BJ

Email: Emerson.Pensions@buck.com

Telephone: 0330 123 9698

Alternatively, there are various websites you can visit to find out more about pensions in general:

The Pension Service **www.thepensionservice.gov.uk/home.asp**

The Financial Conduct Authority **www.fca.org.uk**

Money Helper **www.moneyhelper.org.uk/en/pensions-and-retirement**

The Pensions Regulator **www.thepensionsregulator.gov.uk**

Or, if you feel that you need to take financial advice, you can find a Financial Adviser in your area by visiting **www.moneyhelper.org.uk**