# Experian Retirement Savings Plan
# Statements of Investment Principles

September 2020

# Contents

## Introduction

The law requires the Trustees to produce formal "Statements of Investment Principles" for the Plan's default arrangement and its other investment options. These Statements set out what the Trustees aim to achieve with the investment options and their investment policies which guide how members' money is invested.

This document is a compendium of the Statements of Investment Principles for the Experian Retirement Savings Plan (the "Plan"). These Statements must cover a number of technical points to comply with legislation as well as meet the expectations of the Pensions Regulator and needs of the Plan's Auditors which, as far as possible, are shown separately in "for the record" boxes.

The Trustees will publish the Statements of Investment Principles and a statement each year from 1 October 2020 describing how these Statements have been followed in the last year.

Please note that the Plan uses funds provided through an investment platform. This investment platform in turn invests in funds provided by a selection of fund managers where investments are pooled with other investors. This enables the Plan to invest in a range of funds giving a good spread of investments in a cost-effective manner. It does mean that the Trustees have delegated day to day investment decisions including the management of financially material considerations to the fund managers.

## Statements of Investment Principles

The Trustees' Statements of Investment Principles contained in this document include the:

1 Statement of the aims and objectives for the default arrangements*;

2 Statement of the aims and objectives for investment options outside the default arrangements*; and

3 Statement of investment beliefs, risks and policies**.

The Statement of Investment Principles for the Plan ** comprises items 1, 2 and 3.

The Statement of Investment Principles for the Plan's default arrangements *** comprises items 1 and 3.

## Appendices

A. Investment implementation for the default arrangements;

B. Investment implementation for the investment options outside the default arrangements;

C. Summary of the approach to investment governance.

**For the record**

* In accordance with Regulation 2A(1) of the Occupational Pension Schemes (Investment) Regulations 2005.

** In accordance with Regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005 as modified by subsequent Regulations and section 35 of the 1995 Act.

*** As required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (the 2015 Regulations).

The Trustees have taken proper written advice and consulted the Employer in the preparation of these Statements of Investment Principles.

**For and on behalf of the Trustees of the Plan**

| Name | Signed | Date |
|---|---|---|
| PJ BLYTHE | PJ BLYTHE | 29 September 2020 |

# 1 Statement of the aims and objectives for the default arrangements

### Reasons for the default arrangements

The Trustees have decided that the Plan should have default investment arrangements because:

- The Plan is a qualifying scheme for auto-enrolment purposes and so must have a default arrangement;
- It should be easy to become a member of the Plan and start building retirement benefits without the need to make any investment decisions; and
- A majority of the Plan's members are expected to have broadly similar investment needs.

### Choosing the default arrangements

The Trustees believe that understanding the Plan's membership is essential to designing and maintaining a default arrangement which meets the needs of the majority of members.

The Trustees have taken into account a number of aspects of the Plan's membership including:

- The members' age and salary profiles;
- The likely sizes of retirement savings at retirement;
- The level of replacement income that members are likely to need; and
- Members' likely benefit choices at and into retirement.

### Objectives for the default arrangements

The main objective of the default arrangements is to provide good member outcomes at retirement. The Trustees believe that it is in the best interests of the majority of members to offer a default which:

- Manages the principal investment risks members' face during their membership of the Plan;
- Maximises investment returns relative to inflation while taking an appropriate level of risk during membership of the Plan for the majority of members who do not make investment choices; and
- Reflects members' likely benefit choices at retirement.

### The default arrangements

The Trustees believe it is in the best interests of members to offer a default investment arrangement which manages the principal investment risks members face during their membership of the Plan. The default arrangement should therefore be a lifestyle strategy which the Trustees believe is broadly appropriate to the needs of a majority of the membership; hence the **Lifestyle Option** has been selected as the default arrangement.

The Trustees believe that it is in the best interests of members to have a default arrangement that targets the retirement benefits which are expected to be chosen by a majority of members.

In determining the default arrangement for the membership, the Trustees have taken into account a number of factors, including the projected size of members' retirement savings at retirement, total contribution levels (employee + employer), the level of replacement income that members are likely to require and likely investment returns, after the deduction of fees, on potentially suitable funds to make up the default arrangement.

This analysis (which was initially carried out at an aggregate and individual member level in 2014 and was last reviewed in 2018) showed that the majority of members are expected to have sizeable retirement savings at the point of their retirement (i.e. £30,000 or above). Based on this analysis, the Trustees believe most members will want to take their retirement benefits through an income drawdown plan after the point of retirement. Therefore, within the Lifestyle Option, the Drawdown Lifestyle strategy has been set as the Plan's default strategy during the final 5 years before retirement for members with projected retirement savings over £30,000; details of this strategy are provided in Appendix A.

However, the Trustees believe that members with lower amounts of retirement savings are likely to take their benefits as cash, at or soon after retirement. Therefore, for members within the Lifestyle Option with projected retirement savings of less than £30,000, the default strategy during the final 5 years before retirement is the Cash Lifestyle strategy. Projected retirement savings are calculated shortly before a member reaches 5 years before their selected retirement age and, unless the member instructs otherwise, they are defaulted based on the projection at that point in time. No changes are made to the strategy a member has been defaulted into after this point in time.

The principal objectives of the default arrangements are:

- To invest in funds which are expected over the long-term to deliver strong returns relative to inflation for members over 20 years from retirement and then to move gradually over the following 10 years into funds that will provide growth but with a lower degree of volatility. No further changes are made for the next five years.
- During the last five years before a member's selected retirement date, to invest increasingly in funds which match the member's expected retirement plans.
- The default investment strategy and range of self-select funds was scheduled for formal review in 2018. The Plan's investment consultant completed a review in April 2018, however only some items were discussed in detail and the remaining items were deferred whilst the employer carries out a review of pension delivery. The review specifically included consideration of the potential benefits of investing members' retirement accounts in a Multi-Factor Equity fund and the potential impact this may have on investment returns during the Growth phase. After careful consideration, noting that the employer was in the process of carrying out a more strategic review of pension delivery, the Trustees decided to make no changes to the strategy in the short term, but to keep this under review. No other changes were made to the default investment strategy (or self-select fund range) following the review and the Trustees concluded that the default investment strategy (reviewed previously in 2015) remains suitable for members at the present time.
- The next review of investment strategy is scheduled to be carried out no later than 2021. However, in the meantime, the Trustees will monitor what members do at the point of retirement to ensure that the current default strategy remains appropriate.
- The Plan is a qualifying scheme for auto-enrolment purposes and so its default arrangement must comply with the charge cap introduced by the Pensions Act 2014 and which applies from 6 April 2015. The default strategy (including all member borne charges) is within the charge cap as set out by the

Department of Work and Pensions and is reviewed at three-month reference periods through fund reporting.

### Fees

| Stakeholder | Fee arrangement |
|---|---|
| **Investment Managers, Platform Provider** | The costs for investment management and platform provider fees are wrapped up in a single investment fee. Investment management costs are included in the unit pricing of the funds, but administration costs are excluded. The Trustees periodically review the investment management charges of the funds offered to members. Individual fund charges (Total Expense Ratios) are set out in the Appendices. |
| **Pensions Administrator** | The cost for pensions administration is charged to members through a flat charge of £24 per annum. If actual administration costs are higher, they are paid for by the Principal Employer. The £24 fee is taken into account when assessing the level of member charges for compliance against the charge cap. |
| **Custodians** | The Custodians of the pooled funds are paid through a combination of transaction-based fees and ad-valorem fees. This is consistent with market practice. Custodian fees are paid indirectly by members via an adjustment to unit prices of the pooled funds in which the assets are invested. |
| **Investment Consultant** | Fees of the Investment Consultant are paid by the Trustees out of Plan resources and are not borne by members. Any shortfall is paid by the Principal Employer. |
| **Other advisers** | Fees of all other advisers are paid by the Trustees out of Plan resources and are not borne by members. Any shortfall is paid by the Principal Employer. |

The expected levels of investment returns (after the deduction of charges) and risks for the funds used are consistent with the Trustees' objectives for the default arrangements. The expected investment returns and approach to managing investment risks, including financially material considerations such as climate change, are described in Section 3.

Full details of the current default arrangements are given in the document "Investment implementation for the default arrangements".

# 2 Statement of the aims and objectives for investment options outside the default arrangements

### Reasons for the investment options

In addition to the default arrangements, the Plan offers members a choice of investment options because:

- While the default arrangements are intended to meet the needs of a majority of the Plan's members, they may not meet the needs of a wider cross-section of members;
- Attitudes to investment risks and the need for investment returns will vary from member to member and will also vary for each member over time and, in particular, as they approach retirement;
- Members have differing investment needs and these needs change during their working lives; and
- Some members will want to be more closely involved in choosing where their contributions are invested.

### Choosing the investment options

#### Membership analysis

The Trustees believe that understanding the Plan's membership is important to maintaining an appropriate range of investment options and have taken into account a number of aspects including:

- The members' age and salary profiles;
- The likely sizes of members' pension savings at retirement;
- Members' retirement dates and likely range of benefit choices at retirement;
- The levels of investment risk and return members may be willing to take;
- The degree to which members are likely to take an interest in where their contributions are invested; and
- The number of members who are likely to want responsible, or faith-based investments.
- Feedback to the Pensions Team from members on the current fund range

#### Costs of investment options

The investment costs are borne by members and so a balance needs to be struck between choice and costs.

### Objectives for the investment options

The Plan offers members a choice of investment options as an alternative to the default arrangements.

#### Self-select funds

The objectives of the self-select fund range are to:

- Provide a choice of individual funds for members who want to be more closely involved in choosing where their pension is invested;
- Complement the objectives of the default arrangements;
- Provide a broader choice of levels of investment risk and return;
- Provide a broader choice of investment approaches including a faith-based fund;
- Help members more closely tailor how their pension is invested to their personal needs and attitude to risk;
- Help members more closely tailor how their pension is invested to reflect the benefits they intend to take at retirement.

Nevertheless, the self-select fund range cannot be expected to cover all the investment needs of all members.

### Risk and return

The expected levels of investment returns (after the deduction of charges) and risks for the funds used are consistent with the Trustees' objectives for these investment options. The expected investment returns and approach to managing investment risks, including financially material considerations such as climate change, are described in Section 3.

Full details of the current investment options are provided in the documents "Investment implementation for investment options outside the default arrangements" and "Investment implementation for the default arrangements".

# 3 Statement of investment beliefs, risks and policies

## Introduction

This Statement sets out the investment beliefs and policies which guide the Trustees' decision making.

**For the record**

This Statement of investment beliefs, risks and policies should be read in conjunction with the Statements of the aims and objectives for both the default arrangements and the investment options outside the default arrangements. Collectively, these respectively form the Statements of Investment Principles for the Plan and the default arrangements.

This Statement of investment beliefs has been prepared in accordance with the Occupational Pension Scheme (Investment) Regulations 2005 as amended by the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.

## Investment beliefs

The Trustees' investment decisions are made in the context of their investment beliefs that:

**The Trustees believe that investments which demonstrate better Environmental, Social and Governance ("ESG") characteristics may broadly be expected to provide better risk-adjusted returns over the longer term.**

1) The Trustees recognise that the Plan's default arrangements utilise largely passive management and believe that engagement by the Plan's investment managers with companies on specific ESG risks is the most effective way at this point in time for the Plan to support shareholder value and influence company strategy in these areas. For other funds which are actively managed, the Trustees believe that a combination of engagement and selective disinvestment by the investment managers may be appropriate.

2) The Trustees believe that financial considerations should carry more weight than non-financial when determining strategy and implementation for the Plan.

3) The Trustees recognise that climate change is a long term financial risk to sustainability.

4) At this point in time, the Trustees will keep under review the possible ways specialist ESG managers or mandates can be implemented within the Plan's default strategy or self-select funds.

5) At the present time non-financially significant factors are not explicitly taken into account in the selection, retention and realisation of investments and the views of individual members on these are not sought or taken into account.

Feedback is sought from members through regular interaction with the Pensions Team in order to assess member demand for a more pro-active approach to ESG.

## Risks

### Principal investment risks

The Trustees believe that the three principal investment risks most members will face are:

**1) Inflation risk** – investment returns over members' working lives may not keep pace with inflation and, as a result, do not produce adequate retirement benefits.

Further from retirement, this risk should be countered by funds investing in equities and other growth-orientated assets which are expected to produce returns well in excess of inflation over the longer term. Approaching retirement, the impact of this risk needs to be balanced against the other main risks members face.

**2) Benefit conversion risk** – investment conditions just prior to retirement may increase the cost of turning members' fund values into retirement benefits.

For members taking cash at retirement, funds investing in cash deposits and other short-term interest-bearing investments provide a high degree of (but not complete) capital security. Funds investing in a mix of different assets are expected to be broadly suitable for members planning income drawdown during retirement. For members buying an annuity at retirement, the value of funds investing in longer-dated bonds may be expected to broadly follow changes in annuity rates caused by long-term interest rates.

**3) Volatility/Market risk** – falls in fund values prior to retirement lead to a reduction in retirement benefits.

Funds investing in bonds or a mix of assets or investment techniques intended to manage short-term risks may be expected to be subject to lower levels of short-term fluctuations in values than equity funds - although there may be occasions when this does not hold good.

### Other investment risks

The Trustees believe that other investment risks members may face include:

**Active management risk** – a fund manager's selection of holdings may not lead to investment returns in line with the fund's objectives and investment markets generally.

**Currency risk** – changes in exchange rates will impact the values of investments outside the UK.

**Interest rate risk** – the value of funds which invest in bonds will be affected by changes in interest rates.

**Default risk –** for bond funds (where money is lent in return for the payment of interest), and the company or government borrowing money fails to pay the interest due or repay the loan.

**Liquidity risk –** funds which invest in assets which cannot be easily bought or sold (such as property) may at times not be able to accept new investments or disinvestments of existing holdings.

**Counterparty risk** – the financial institutions holding a fund's assets may get into financial difficulties leading to a reduction in a fund's value.

**Market risks** - shifts in market sentiment (for example, in response to economic news or geopolitical events) or momentum in general market trading can lead to widespread changes and/or volatility in asset values over the short-term.

This can include short-term changes in the normally expected correlations of the behaviour of risks and returns seen between different asset classes, when standard approaches to mitigating risks such as diversification are temporarily ineffective.

**Factor based investing** – equity investments may show several factors (supported by academic research) that may be expected to deliver stronger returns over the longer-term, but which may show increased risks (including timing) in the shorter-term.

**Environmental, Social and Governance (ESG) risks** – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.

**Climate risk** - The extent to which climate change causes a material deterioration in asset values as a consequence of factors including, but not limited to: policy change, physical impacts and the expected transition to a low-carbon economy.

**Legislative/Regulatory** - Changes in government policy or taxation may have a long-term positive or negative impact on certain sectors of a country's economy or one country relative to its neighbours over the medium to longer-term. Changes in Regulations can also affect the operational costs, tax efficiency and security of one investment vehicle relative to other vehicles over the shorter-term.

## Managing risks

The Trustees have developed and maintain a framework for assessing the impact of all investment risks on long-term investment returns.

### Time horizon

The Trustees monitor the age profile of the Plan's membership to arrive at an appropriate investment horizon when considering all investment risks:

- The Plan is open to new entrants;
- As a result, investment risks need to be considered over a time horizon, in excess of 30 years and
- A majority of members are expected to take income drawdown in retirement.

### Principal investment risks

The default arrangements manage the three main investment risks as members grow older by automatically switching from funds which are expected to give long-term growth relative to inflation into funds whose values should fluctuate less in the short-term relative to the benefits members are expected to take at retirement.

The self-select fund range provides members with a choice of funds with differing risk and return characteristics which are expected to meet the investment needs of a majority of members.

The Trustees review the nature of the Plan's investment options on a regular basis, with particular reference to suitability and diversification. The Trustees considers written advice from a suitably qualified person when determining the appropriateness of each investment manager and fund for the Plan, particularly in relation to diversification, risk, expected return and liquidity.

Overall, the Trustees believe that the Plan's investment options:

- Provide a balance of investments; and
- Are appropriate for managing the risks typically faced by members.

### Other investment risks

The Trustees manage the other investment risks as part of the process for selecting and ongoing monitoring of the funds used by the Plan.

The funds used give a good spread of investments which will help manage risks associated with market conditions, fund manager actions and default.

At this time, the Trustees have not made explicit allowance for climate change within the development or implementation of their investment strategy. The Trustees discuss the potential impact of climate risks with their adviser and managers on a periodic basis and will monitor developments in this area.

The Trustees recognise that it is important that members' contributions can be invested promptly in selected investment funds and that these can be sold promptly (for example when members wish to change where they are invested, transfer to another arrangement or if they wish to draw on their pension pot). The Trustees manage this risk by selecting pooled investment funds which can be dealt on a daily basis. The platform provider is responsible for monitoring the ability for members to invest and disinvest promptly and is expected to notify the Trustees if a situation develops whereby there is any restriction on the ability for members to do so. For example, this situation could occur in the event of significant economic uncertainty impacting on the ability for fund managers to value the underlying assets.

### Financially material considerations

The Trustees recognise that the consideration of financially material considerations, including Environmental, Social and Governance (ESG) factors and climate risk, are relevant to the development, selection and monitoring of the Plan's investment options.

**Implementation**

The Plan uses standard pooled funds offered by an investment platform provider and fund managers. This gives access to a range of funds while keeping down costs to members but means that the Trustees cannot adopt an approach to managing financially material considerations specific to the Plan. The Trustees nevertheless seek to manage financially material considerations to protect long-term returns by:

- For actively managed funds (where the fund manager decides where to invest), choosing fund managers who have clearly articulated policies for managing financially material considerations including climate change.;
- Considering the extent to which ESG issues including climate risk, where relevant, are integrated into the fund managers' investment processes and benchmark indices as appropriate and are satisfied that the fund managers follow an approach which takes account of financially material factors;
- For all funds, reviewing managers' Responsible Investment ratings as provided by their adviser;
- For actively managed funds, expecting the fund managers to take financially material considerations into account when selecting which companies and markets to invest in;
- For passively managed funds, the Trustees recognise that the funds' objectives are to deliver returns in line with its benchmark (which may or may not take into account ESG factors), which the Trustees believe will deliver appropriate risk adjusted returns;
- For all funds, expect fund managers to engage with companies in which the fund invests to encourage business strategies which should improve or protect the value of those investments; and
- Preferring fund managers who are signatories to the Financial Reporting Council's Stewardship Code in the UK and the United Nations supported Principles for Responsible Investment.

### Expected returns on investments

The Trustees believe that it is important to balance investment risks with the likely long-term returns from different types of assets used in funds (taking the funds' costs and charges into account).

| Asset class | Expected long-term investment returns relative to inflation | Expected shorter- term volatility in fund values |
|---|---|---|
| Equities (i.e. company shares) | Strong return relative to inflation | Most volatile in the short-term |
| Property (e.g. offices, shops and warehouses) | Positive, but lower than equities | Lower than equities |
| Corporate Bonds (i.e. loan stocks issued by companies) | Positive, but lower than equities and property | Lower than equities or property |
| Fixed Interest Government Bonds (e.g. UK Gilts) | Positive, but lower than equities, property or corporate bonds | Lower than equities, property or corporate bonds |
| Index-Linked Government Bonds (e.g. UK Index-Linked Gilts | In line with inflation | Lower than equities, property or corporate bonds |
| Cash (and other short-term interest-bearing investments) | Return may not keep pace with inflation | Minimal with high degree (but not complete) of capital security |

**Long-dated bonds** (e.g. UK Gilts and Corporate Bonds with a duration of 15 years or more) – should give fund values which move broadly in line with the financial factors influencing annuity rates.

**Multi-asset funds** (i.e. investing in a varying mix of asset classes) - should deliver positive returns relative to inflation over the longer-term, with lower short-term volatility than equities.

## Types of funds used

### Structure of the investment arrangements

The Plan invests contributions for members through the provider's investment platform. Contributions buy units in the provider's funds. The provider in turn backs the value of its funds by buying units in funds from a selection of fund managers where investments are pooled with other investors. This enables the Plan to invest in a range of funds giving a good spread of investments in a cost-effective manner.

The Plan's assets, and the Trustees' contract with the provider, is a policy of insurance issued by the provider. As a result, the Trustees do not have any contractual arrangement with the investment managers or title to the underlying funds' assets.

### Selection of funds

The Trustees will invest through funds on the provider's platform which in turn invest in the investment managers' pooled funds. The objectives of the funds and the policies of the investment managers are evaluated by the Trustees to ensure that they are and remain appropriate for the needs of the Plan.

The Trustees' choice of funds, and hence choice of approaches to aspects such as responsible investment and shareholder engagement, are constrained by the choice of funds available on the provider's platform. While the Trustees endeavour as far as possible to select a platform provider and funds on that provider's platform which are consistent with the Plan's investment objectives and the Trustees' investment beliefs, this needs to be balanced against the wider benefits of access to the other funds on the platform and the other services from the platform provider as well as taking into consideration the costs of change to the Plan and its members.

The Trustees seek to engage with the platform provider to obtain funds which meet the Trustees' investment beliefs and are expected to deliver good outcomes for members, but this is subject to being commercially viable for the provider and consistent with the charge cap for the default arrangements. The Trustees expect the provider to encourage the investment managers to adopt appropriate practices for responsible investment and shareholder engagement.

The Trustees in conjunction with their investment advisers periodically review the choice of platform provider, at which time the suitability of the provider's fund range and effectiveness of its governance of the investment managers on its platform are be key criteria.

### Manager incentives

The basis of remuneration of the investment managers by the platform provider may be subject to commercial confidentiality, however, the Trustees will seek transparency of all costs and charges borne by members. Nevertheless, the Trustees expect that it will be in the interests of both the platform provider and the investment managers on the provider's platform to produce growth in asset values in line with the funds' investment objectives. For passively managed funds this should be within an acceptable margin of the index the fund tracks. For actively managed funds the investment return should be commensurate with the level of investment risk implied by the fund's objectives.  The Trustees recognise that no funds the Plan invests in are managed on a performance related basis, therefore the Trustees believe that the remuneration structure of managers is appropriate.

In accordance with the 2015 Regulations, the Trustees conduct an annual Value for Members assessment and take action should the provider be found to be giving poor value. In addition, in accordance with guidance from the Pensions Regulator, the Trustees periodically review the Plan's choice of provider to ensure their charges and services remain competitive. The Trustees believe that these steps are the most effective way of incentivising the provider to deliver Value for Members, of which investment management charges and investment performance are key considerations.

The Trustees also undertake an investment strategy review at least every three years in which the appropriateness of the investment options at which time the suitability of the Plan's investment management arrangements are also considered.

The Trustees, in conjunction with their investment adviser monitor the investment managers against a series of metrics on an annual basis over a long-term time horizon of over 20 years including:

- Short term performance and since inception of their funds' respective benchmarks or performance targets;
- Relative tracking error where appropriate;
- The exercise of stewardship responsibilities (including engagement with issuers); and
- The management of risks.

The platform provider or investment managers are expected to provide explanations for any significant divergence from a fund's objectives. A material deviation from performance and risk targets or approach to portfolio management is likely to result in the fund being formally reviewed.

### Portfolio turnover

The Trustees do not expect investment managers to take excessive short-term risk and will monitor the investment manager's performance against the benchmarks and objectives on a short, medium and long term basis.

For passively managed funds the turnover of holdings is driven by changes in the index a fund seeks to track and hence is outside the control of the investment manager except where a fund's total assets under management are relatively small where the investment manager does not fully replicate the index or where a fund invests in less liquid stocks.

When selecting actively managed funds, the Trustees will consider, with the help of their investment advisers, the expected level of turnover commensurate with a fund's investment objectives, the investment manager's investment processes and the nature of the fund's assets.

Whilst the Trustees expect performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustees will ask the investment platform provider or investment managers on the platform to report on at least an annual basis on the underlying assets held within fund with details of any transactions and turnover costs incurred over the Plan's reporting year. The Trustees will seek to compare portfolio turnover and the resultant costs against peer groups or portfolio turnover and costs for an appropriate index.

Where a fund has significantly under or outperformed its benchmark, the Trustees will seek to ascertain where necessary whether higher or lower than normal turnover has been a contributory factor. The Trustees will challenge the platform provider and/or investment managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

### Portfolio duration

The Trustees recognise the long-term nature of defined contribution pension investments and chooses funds which are expected to deliver sustainable returns over the Plan's members' investment horizon. The Trustees will carry out necessary due diligence in conjunction with their investment adviser on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the objectives for the related investment option.

The Trustees expect that each fund will be used for at least three years, this being the period over which performance of the fund can be appropriately evaluated and the costs of change amortised, although all funds are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy.

### Security of assets

The funds are provided through a policy of insurance issued to the Trustees by the platform provider. As a result, the value of the funds may be affected in the event of the provider getting into financial difficulties.

The underlying funds used by the provider's platform are accessed through reinsurance agreements and agreements with Open Ended Investment Companies. In the event of a fund manager getting into financial difficulties, the values in these underlying funds will depend upon the nature of the contract with the platform provider and the fund vehicles used by the fund managers' funds. The nature of the underlying fund managers' vehicle may provide some protection in the event of financial difficulties of that manager (e.g. ring fencing of assets).

### Realisation of investments

The Trustees expect that the investment platform provider and the fund managers will normally be able to sell the funds within a reasonable timescale. There may, however, be occasions where the investment platform or fund managers need to impose restrictions on the timing of sales and purchases of funds (most notably for funds investing in property) in some market conditions to protect the interests of all investors in that fund.

Nevertheless, the Trustees recognise that most members' pension savings have a long investment timeframe, during which assets which are less easily traded (such as property or infrastructure) can be managed to deliver good long-term returns while avoiding the impact of liquidity issues at retirement.

### Stewardship

The Trustees recognise that stewardship encompasses the exercise of voting rights, engagement by and with the investment platform and fund managers and the monitoring of compliance with agreed policies.

The Plan offers members the default arrangements and self-select funds. The Trustees' stewardship activities are to be focused largely on the default arrangements which are used by the largest number of members and account for the majority of the assets.

### Members' financial interests

The Trustees expect that the investment platform provider and fund managers will have the members' financial interests as their first priority when choosing investments.

### Conflicts of interest

When given notice the Trustees will consider the impact of any conflicts of interest arising in the management of the funds used by the Plan. Responsibility for investment decisions has been delegated to the investment managers.

### Voting and engagement/ policies and monitoring

The Trustees believe that engagement with the companies in which the Plan invests, including the proactive use of shareholder voting rights, can improve the longer-term returns on the Plan's investments.

The Plan invests via an investment platform provider, which in turn invest in funds which are pooled with other investors to keep costs down and ensure adequate diversification. As a result, the Trustees have adopted a policy of delegating voting decisions on stocks to the underlying fund managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The fund managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

Where relevant, the Trustees have reviewed the voting and engagement policies of the fund managers as well as the approach to governance of the investment platform provider and determined that these policies are appropriate. On an annual basis, the Trustees will request that the investment platform provider and fund managers provide details of any change in their house policy.

Going forward the Trustees will review the fund managers' voting activity on an annual basis in conjunction with their investment adviser and use this information as a basis for discussion with the investment platform provider and fund managers. Where the Trustees deem it appropriate, any issues of concern will be raised with the manager for further explanation.

Where appropriate, the Trustees will engage with and may seek further information from the investment platform provider and fund managers on how portfolios may be affected by a particular issue.

While the Trustees are not in a position to engage directly, the Trustees believe it is sometimes appropriate for the fund managers directly or through the platform provider to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to improve corporate behaviours, improve performance and mitigate financial risks.

The Trustees expect the investment platform provider to adopt similar practices with regards to the inclusion and ongoing oversight of fund managers on their platform. The Trustees also expect the platform provider to be able to evidence their own governance practices on request.

The Trustees expect the platform provider to monitor adherence of their investment managers to stated voting and engagement policies, engage with managers where concerns are identified and to report on these issues.

The Trustees will also periodically review the fund managers voting patterns and may also monitor voting on particular companies or issues affecting more than one company.

The Investment Committee appointed by the Trustees aims to meet with all its major fund managers on a periodic basis. The Investment Committee will provide the fund managers with an agenda for discussion, including issues relating to individual holdings and, where appropriate, ESG issues. Managers are challenged both directly by the Investment Committee and by their investment advisers on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the portfolio. Feedback is then taken to the Trustees for their consideration.

### Non-financial factors

The Trustees recognise that a few members will have strong personal views or religious convictions that influence where they believe their savings should, or should not, be invested.

The Plan offers a faith-based fund for members who are likely to hold stronger views than the majority of members.

The Trustees note that non-financial factors can affect various investment risks which are borne by members and may under-perform other funds with broader-based investment approaches.

Fund managers are otherwise only expected to take non-financial factors into account when these do not conflict with the financial interests of members and the Plan’s investment objectives.

**For the record**

The Trustees obtain and consider proper advice from suitably experienced and qualified persons when choosing investments and preparing the Statement of Investment Principles.

Funds are chosen by the Trustees to give an expected level of return with an appropriate level of investment risk which meet the objectives of each default arrangement and other investment options.

The funds used at each stage in the default arrangements are intended to deliver good member outcomes at retirement from an appropriate balance of investment growth relative to inflation and the then pertinent investment risks.

The investment platform uses a life insurance company based legal vehicle for its funds. The fund managers used by the platform use a variety of different legal vehicles for their funds. The funds may invest in quoted and unquoted securities traded in regulated UK and overseas markets:

- Equities (company shares);
- Fixed interest and index-linked bonds issued by governments and companies;
- Cash and other short-term interest-bearing deposits;
- Commercial and residential property;
- Illiquid assets including infrastructure, forestry, private equity and private debt;
- Commodities through collective investment vehicles; and
- Derivatives to facilitate changes in where funds are invested or to help control investment risks.

Funds provided through a life insurance company must comply with the Financial Conduct Authority ("FCA") "Permitted Links" rules, which place limits on the degree of leverage a fund can use. Fund managers using other fund vehicles subject to the European "UCITS IV" and the FCA's "Non-UCITS" regulations have to meet requirements on the security and concentrations of assets. Exchange Traded Funds may be used directly or indirectly to gain access to less easily traded and illiquid asset classes.

Subject to the funds' benchmarks and guidelines, the fund managers are given full discretion over the choice of securities and, for multi-asset funds, choice of asset classes. Fund managers are expected to maintain well-diversified and suitably liquid portfolios of investments.

The Trustees consider that these types of investments are suitable for the Plan. The Trustees are satisfied that the funds used by the Plan provide adequate diversification both within and across different asset classes.

# Appendix A

# Investment implementation for the default arrangements

### Default arrangements

The Trustees have designed two default arrangements specifically for members who want the asset allocation of their investment strategy to be managed for them. In seeking to deliver the overall investment objective of the default arrangements, the Trustees took account of the following supporting objectives:

- Each strategy should seek to maximise the retirement savings, whether income or cash, subject to taking an appropriate level of risk.
- Investment risk (as defined by the absolute level of volatility) should reduce gradually throughout the later part of a member's working life.
- The investment strategy should aim for significant growth, in real terms, in the value of members' savings during the "growth" phase.
- The strategy should seek to reduce the risk to the member's retirement income of a significant adverse market movement as the member approaches retirement.

The Trustees recognise that a balance needs to be struck between maximising the proceeds on retirement and mitigating the risk of members experiencing poor outcomes.

### The Lifestyle Option (default strategy)

The Lifestyle Option invests during the "growth" phase in the Global Equities Passive Fund and the Diversified Assets Fund. The strategy invests 100% in the Global Equities Passive Fund until a member is 20 years before their selected retirement age and then gradually switches to 100% Diversified Assets until a member is 10 years before retirement. Assets then remain 100% invested in Diversified Assets for the following 5 years.

### The Adventurous Lifestyle Option

This option is similar to the Lifestyle Option, except for the component funds and timing of the switching during the "growth" phase. This option invests in the UK Equity – Active Fund until a member is 10 years before retirement. Between 10 and 5 years before retirement funds are gradually switched into the Diversified Assets Fund, in order to achieve a 100% allocation to the Diversified Assets Fund when a member is 5 years from retirement.

### Investment strategy in the five years before selected retirement date

When members are five years before their selected retirement date, they have three strategy options. These are made available to members to reflect the different ways that members may plan to take their benefits at retirement. At the point of retirement, the three strategies will hold:

1. **Cash Lifestyle:** 100% cash;
2. **Drawdown Lifestyle:** 25% cash with the balance in return seeking assets;
3. **Annuity Lifestyle:** 25% cash with the balance in assets which perform broadly in line with the changes in level annuity rates.

As members approach retirement, each strategy de-risks in a different way. Currently, automatic switching takes place as follows:

- **Cash Lifestyle:** during the last three years, assets are gradually switched from the Diversified Assets Fund to the Cash Fund.
- **Drawdown Lifestyle:** during the last five years, assets are gradually switched from the Diversified Assets Fund to the Long-dated Corporate Bonds – Passive Fund, and during the last three years to the Cash Fund, in order to achieve at retirement a 50/25/25 split between the Diversified Assets – Active Fund, the Long-dated Corporate Bonds – Passive Fund and the Cash Fund.
- **Annuity Lifestyle:** during the last five years, assets are gradually switched to the Pre-retirement Fund and the Cash Fund, in order to achieve a 75/25 split at retirement.

**Reverse switching**

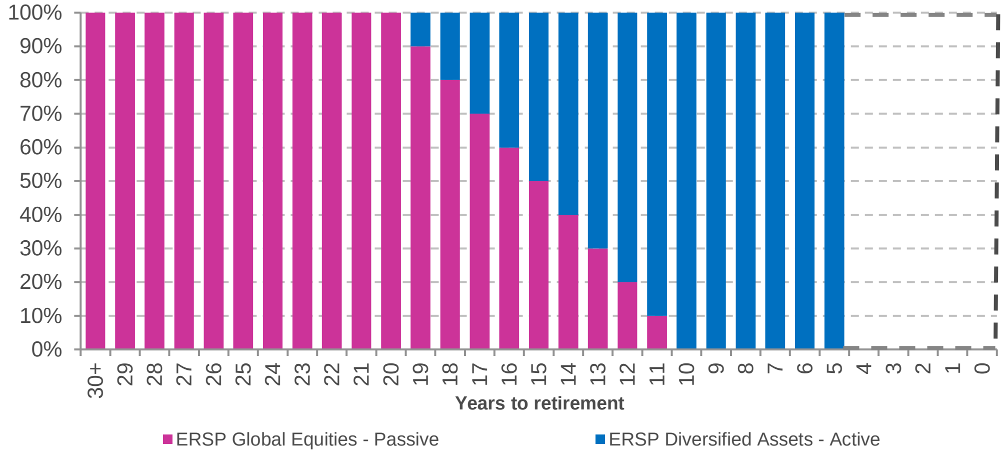
If a member who is invested in one of the lifestyle strategies decides to raise or lower their Target Retirement Age, their asset allocation will be aligned with the allocation appropriate for the new retirement date. In the event that the date is raised, the Trustees acknowledge that this may result in assets being switched back into funds that a member has previously switched out of.

**Tolerance Level**

The Trustees acknowledge that at any point in time each asset class will have different performance characteristics. Within the lifestyle strategies it would be inefficient to constantly rebalance each asset class to the strategic asset allocation benchmark. The Trustees have therefore set a 2% tolerance level when comparing the actual asset allocation against the strategic benchmark in order to limit transaction costs for small switches.

The following charts show the asset allocations of the default arrangements:

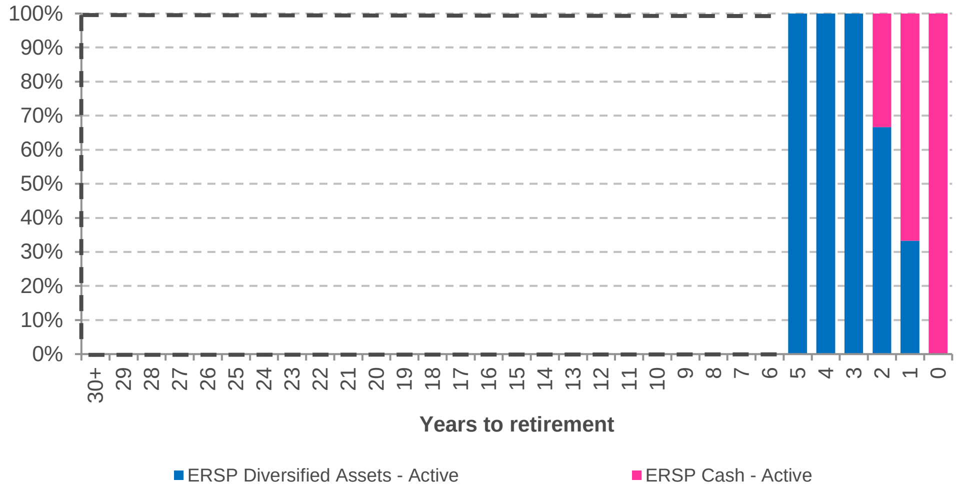
## Growth phase of the Lifestyle Option (default strategy)



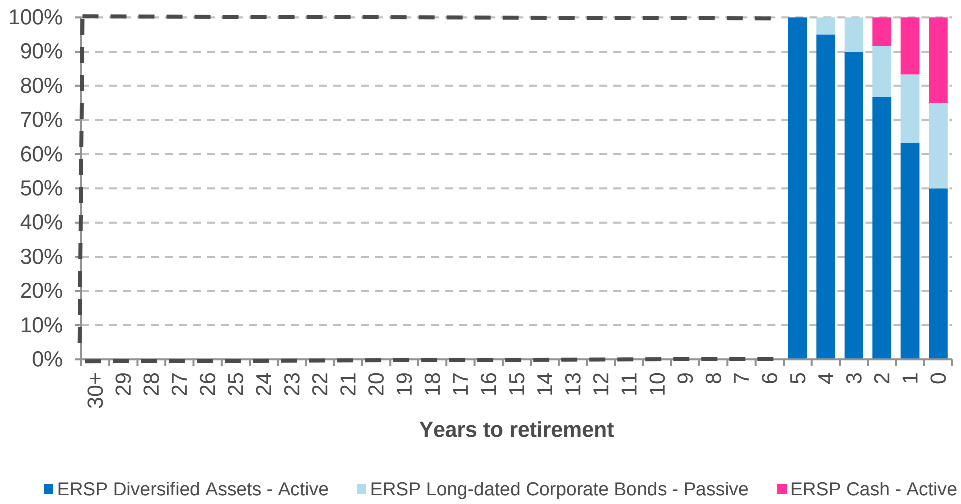
## Growth phase of the Adventurous Lifestyle Option


## Investment strategy from five years before selected retirement date

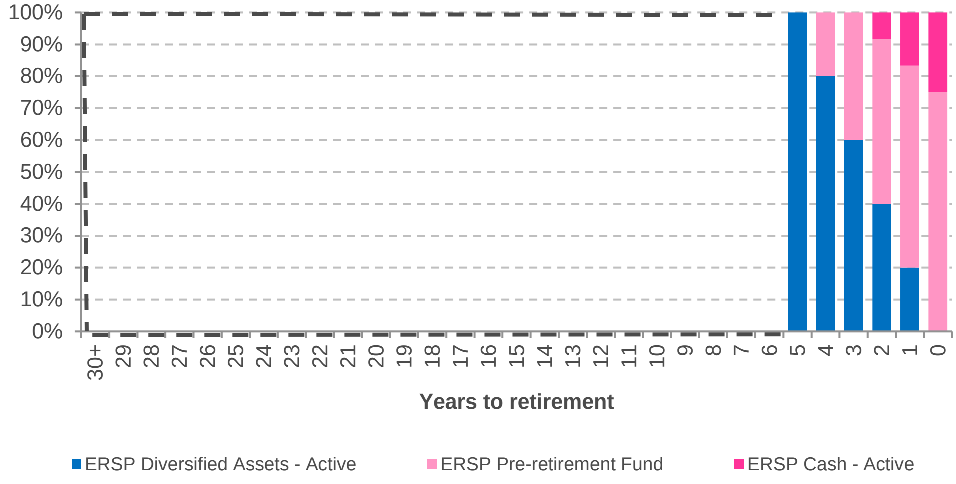
### Cash Lifestyle (default strategy for members with projected retirement savings of less than £30,000)




### Drawdown Lifestyle (default strategy for members with projected retirement savings of £30,000 or more)



### Annuity Lifestyle




## Funds and charges

The funds used by the default arrangement and their charges (expressed as a percentage annual management charge ("AMC") and Total Expense Ratio ("TER") as at 31st March 2020 are:

### Lifestyle Option

| Platform Fund | Style | Underlying fund | AMC % | TER % |
|---|---|---|---|---|
| Diversified Assets | Active | BlackRock Aquila Life Market Advantage Fund (ALMA) and Schroders Dynamic Multi-Asset Fund (50:50) | 0.30 | 0.336 |
| Global Equities | Passive | BlackRock (30:70) Global equity Fund (hedged) | 0.17 | 0.18 |
| Cash | Active | M&G Cash Fund | 0.15 | 0.15 |
| Corporate Bonds | Passive | L&G Corporate Bond Over 15 Years Index Fund | 0.14 | 0.14 |
| Pre-Retirement | Passive | L&G Pre-Retirement Fund | 0.14 | 0.14 |

Note – these are investment fees and do not include allowance for the £24 per member administration fee that members pay in addition to these fees.

## Adventurous Lifestyle Option

| Platform Fund | Style | Underlying fund | AMC % | TER % |
|---|---|---|---|---|
| UK Equities | Active | M&G Recovery Fund and Baillie Gifford UK Core Equity Fund (50:50) | 0.68 | 0.695 |
| Diversified Assets | Active | BlackRock Aquila Life Market Advantage Fund (ALMA) and Schroders Dynamic Multi-Asset Fund (50:50) | 0.30 | 0.336 |
| Cash | Active | M&G Cash Fund | 0.15 | 0.15 |
| Corporate Bonds | Passive | L&G Corporate Bond Over 15 Years Index Fund | 0.14 | 0.14 |
| Pre-Retirement | Passive | L&G Pre-Retirement Fund | 0.14 | 0.14 |

Note – these are investment fees and do not include allowance for the £24 per member administration fee that members pay in addition to these fees.

## Investment costs

### Fund charges

The investment platform provider's and fund managers' charges for the investment options are borne by the members.

The Plan is a "qualifying scheme" for auto-enrolment purposes, which means that the default arrangement is subject to the charge cap introduced by the government from April 2015.

### Transaction costs

Transaction costs arise when the fund managers buy and sell the assets held by each fund. Costs may also be incurred when units in the funds are bought and sold. These costs are taken into account when calculating the funds' unit prices and members' fund values.

## Review

The present default arrangements  were introduced in 2015 and last reviewed in 2018.

# Appendix B
# Investment implementation for investment options outside the default arrangements

## Self-select fund range

The Plan offers members a choice of self-select funds options as an alternative to the default arrangements.

## Fund range

The choice of self-select funds and their charges (expressed as a percentage, annual management charge ("AMC") and Total Expense Ratio ("TER")) as at 31 March 2020 are:

| Platform Fund | Style | Underlying fund | AMC % | TER % |
|---|---|---|---|---|
| Diversified Assets | Active | BlackRock Aquila Life Market Advantage Fund (ALMA) and Schroders Dynamic Multi-Asset Fund (50:50) | 0.30 | 0.336 |
| Global Equities | Passive | BlackRock (30:70) Global equity Fund (hedged) | 0.17 | 0.18 |
| Global Equities | Active | MFS Global Equity Fund | 0.65 | 0.71 |
| Overseas Equities | Passive | M&G International Equity Passive Fund | 0.25 | 0.32 |
| UK Equities | Passive | M&G UK Equity Passive Fund | 0.15 | 0.16 |
| UK Equities | Active | M&G Recovery Fund and Baillie Gifford UK Core Equity Fund (50:50) | 0.68 | 0.70 |
| Index-Linked Gilts | Passive | M&G Index-Linked Passive Fund | 0.15 | 0.15 |
| Cash | Active | M&G Cash Fund | 0.15 | 0.15 |
| Shariah | Passive | HSBC Amanah Fund | 0.05 | 0.35 |
| Corporate Bonds | Passive | L&G Corporate Bond Over 15 Years Index Fund | 0.14 | 0.14 |
| Pre-Retirement | Passive | L&G Pre-Retirement Fund | 0.14 | 0.14 |

Note – these are investment fees and do not include allowance for the £24 per member administration fee that members pay in addition to these fees.

## Use of options

Members cannot contribute to the default arrangements and self-select funds at the same time.

## Investment costs

The investment platform provider's and fund managers' charges for the investment options are borne by the members.

Transaction costs arise when the fund managers buy and sell the assets held by each fund. Costs may also be incurred when units in the funds are bought and sold. These costs are taken into account when calculating the funds' unit prices and members' fund values and are borne by members.

### Review

The self-select fund range was last formally reviewed in 2018.

# Appendix C
# Summary of the approach to investment governance

**For the record**
The Trustees' approach to investment governance complies with the provisions of the Plan's Trust Deed and Rules as well as legislative requirements.

The Plan's investment governance is also intended to meet the expectations set out in the Pensions Regulator's 2016 Code of Practice 13.

### Exercising the Trustees' Powers

The Trustees will always act in the best interests of the members.

The Trustees have delegated day-to-day work on the Plan's administration and investments.

### Conflicts of interest

The Trustees maintain a register of interests of each of the Trustees and their advisers and update these at each Trustee meeting to ensure that any potential conflicts between stakeholders are identified in a timely manner and dealt with appropriately.

In the event of a conflict of interests, the Trustees will invest contributions in accordance with the default arrangement in the sole interests of members and beneficiaries.

### Monitoring

The Trustees regularly monitor and review:

**Investment Performance** - The performance of the funds in which the Plan invests against both the funds' stated performance objectives and the investment objectives of the Plan. This will also include monitoring the levels of portfolio turnover in the extent that significant under or out performance occurs.

**Value for members** - The member borne charges for the default arrangement against the charge cap for auto-enrolment purposes and the funds' charges and transaction costs to ensure that they represent value for members.

**Suitability** - The suitability of the default arrangement and investment options outside the default arrangement at least every three years and without delay after any significant change in investment policy or the demographic profile of the Plan's membership.

**The Statements of Investment Principles** - at least every three years and without delay after any significant change in investment policy or the demographic profile of the Plan's membership. The Trustees will consult the Employer on any changes.

**Compliance with Statement of Investment Principles** - the Trustees will monitor compliance with the Statement of Investment Principles annually and publish a report to members with effect from the Plan year ending after 1 October 2020.

**Investment process** - The processes for investing contributions and taking money from the investment options to pay benefits to ensure that they are carried out promptly and accurately.

**Security of assets** - The security of funds' assets when choosing a fund provider/manager and thereafter.

**Voting** – The fund managers' records of exercising shareholder voting rights and engaging with equity and bond issuers on matters which may materially affect the value of investments.

**Conflicts of Interest** – Instances where the actions of the platform provider or fund managers may be in conflict with the best interests of the Plan's members.

### Reporting

The Trustees arrange for the preparation of:

- The Plan's audited Annual Report and Accounts (which includes the Annual Governance Statement);
- The Annual Governance Statement by the Chair of Trustees describing the Scheme's investment costs, value for members and governance during the previous year;
- Publication of an extract from the Annual Governance Statement by the Chair of Trustees in a publicly searchable location on-line.
- An annual return to the Pensions Regulator.

### Governance of the Plan

Clear roles and responsibilities for all tasks within the Plan are set out in the Plan's objectives document. In the event of any potential conflict of interest, priority is given to the interests of members and beneficiaries.

- The **Employer** is responsible for providing clear objectives to the Trustees to enable the Trustees to govern the Plan effectively and for providing support to the Trustees to help them achieve their targets for the Plan.
- The **Trustees** are responsible for the appointment, monitoring and dismissal of the investment managers and funds, investment platform provider and the administrator. In deciding whether the appointed investment managers have sufficient experience and expertise to carry out their role the Trustees consider advice from the Plan's Investment Consultant.
- The day-to-day management of the funds is performed by professional **investment managers**, which are authorised by the Financial Conduct Authority. The Trustees employ a platform provider through which members access funds.
- The **Platform Provider** is responsible for ensuring that funds are priced correctly and reviews the continued structural suitability of the underlying funds. It advises on the construction of an overall investment management structure and fund offering that meets the objectives of the Trustees and is responsible for the creation and ongoing running of white labelled funds.
- The **Pension Administrator** is responsible for ensuring that members are allocated correct units in exchange for their contributions. It is also responsible for general administration, including record-keeping, managing the automatic lifestyling and providing members with annual benefit statements.
- The **Custodians** are appointed by the investment manager(s) and are responsible for the safekeeping of the assets of the funds and processing the settlement of transactions.

- The role of the **Investment Consultant** is to give advice to the Trustees on the development of a clear investment strategy for the Plan, including the default strategy, lifestyle strategies and self-select fund ranges. It provides general advice in respect of the Plan's investment activities, including informing the Trustees of any material change in the objectives and guidelines of any investment funds offered by the Plan to its members. It provides views on the underlying investment manager(s) employed by the Plan via the Platform Provider, including monitoring changes to personnel, corporate ownership and investment philosophy of the managers, and assists the Trustees in the selection and appointment of appropriate investment managers when necessary.

- **Members** are responsible for the selection of funds consistent with the objectives they have for funding an income in retirement (and their contribution level), their tolerance for risk and their level of understanding and ability to take investment decisions.

In preparing this Statement, the Trustees have taken into account current guidance from the Pensions Regulator. The Trustees are committed to ensuring effective management of the Plan, both in terms of the investments and more widely in relation to the overall governance of the Plan.