

# Manpower Pension Plan (DC Section)

## Statement of Investment Principles

### Introduction

The law requires the Trustees to produce formal “Statement 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 Manpower Pension 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.

This Statement of Investment Principles (“Statement”) sets out the principles governing investment decisions for the Defined Contribution (Money Purchase) Section of the Manpower Pension Plan (the “Plan”).

This Section of the Plan is a defined contribution (“DC”) pension arrangement. It is a qualifying scheme for auto-enrolment purposes.

The investment options consist of a Lifestyle Option, which is the default arrangement, and a range of self-select funds. The asset allocations of the Lifestyle Option change automatically for each member depending on the size of their DC pot and the time remaining until their retirement date.

### Statutory Information

This Statement has been prepared in accordance with the requirements of sections 35, 36 and 56 of the Pensions Acts 1995 and 2004. The Trustees of the Plan have considered written advice from the Trustees’ investment consultants and have consulted with the Principal Employer in producing this Statement.

The Trustees will review this Statement, in consultation with the investment consultant and the Principal Employer, at least every three years and without delay after any significant change in investment policy or demographic profile of the Plan’s membership.

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

### Statements of Investment Principles

The Trustees’ Statement of Investment Principles for the DC Section for the default arrangement\* and other investment options include:

- 1 The aims and objectives for the default arrangement\*\* and the other investment options\*\*; and
- 2 The Trustees’ investment beliefs, views on expected risks and returns and policies on responsible investing\*\*\*.

### Appendices

1. Responsibilities;
2. Service providers;
3. Investment Options; and
4. Fees and charges

#### For the record

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

\*\* 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.

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

These Statements will be reviewed at least every three years or more frequently as required by the Regulations.

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

Name	Signed	Date

# 1 Investment beliefs, risks and policies

## 1.1 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 arrangement and the investment options outside the default arrangement. Collectively, these respectively form the Statements of Investment Principles for the Plan and the default arrangement.

These investment beliefs have 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 and the Occupational Pension Schemes (Investment and Disclosure) Regulations 2019.

## 1.2 Investment Risks

### Principal risks

The principal investment risks which most members face are:

**Inflation risk** – The risk that the investment returns over members' working lives will not keep pace with inflation and do not produce adequate retirement benefits.

For members further from retirement, the Lifestyle Option invests in return-seeking assets during the growth phase, which are expected to produce returns well in excess of inflation over the longer term. These funds are also included in the self-select fund range.

**Benefit conversion risk** – The risk that market movements in the period just prior to retirement lead to an increase in the cost of turning members' fund values into retirement benefits.

The Lifestyle Option switches into diversified growth and low volatility funds during the de-risking phase. The self-select range offers a cash fund and other funds investing in a cautiously managed portfolio of assets. The Trustees believe that these provide a high degree of (but not complete) capital security, which is broadly suitable for members planning to take their DC pot as cash or income drawdown at retirement.

For members planning to buy an annuity at retirement, the self-select fund range offers funds investing in longer-dated bonds, which may be expected to broadly follow movements in annuity rates.

**Volatility / Market risk** – The risk that adverse movements in investment market values in the period prior to retirement lead to a reduction in the fund size at retirement.

For members approaching retirement, the Lifestyle Option increasingly invests in funds which are expected to be subject to lower levels of volatility. These funds are also included in the self-select fund range.

### Other investment risks

Other potentially material investment risks which members may face include:

**Counterparty risk** – The risk that counterparties holding derivative based assets may default leading to a reduction in a fund's value. The Trustees, in conjunction with their investment managers, manage counterparty risk by investing in pooled funds that offer suitable counterparty protection.

**Value for members risk** – The risk that the value perceived by members is low. This may be due to considerations on the investment management fees, governance or administration.

The Trustees carry out a value for members assessment on an annual basis which covers a range of aspects. Additionally, the charge cap currently limits overall investment manager fees borne by members to a maximum of 0.75% p.a.

**Currency risk** – changes in exchange rates will impact the values of investments outside the UK when they are being bought or sold.

**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), the company or government borrowing money fails to pay the interest due or repay the loan.

**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.

**Active management risk** – The risk that an investment manager will not deliver investment returns in line with investment markets generally or other investment managers. The Trustees recognise that an actively managed fund may not deliver performance in line with the fund's objectives / agreed benchmarks. The Trustees regularly monitor fund performance in order to monitor this risk.

**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.

**Liquidity risk** – The risk that funds which invest in more illiquid assets will not be able to accept investments or disinvestments requested by the Trustees and / or members. The Trustees are satisfied that the pooled funds in which they invest usually have sufficient liquidity and may be realised within a reasonable time if required.

**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.

**Carbon risk** – The risk that the transition to a lower carbon economy impacts on the financial performance of the assets in which funds are invested by factors such as changing government policy, societal pressure, technological change and inadequate business planning.

There are currently no carbon neutral funds available on the DC investment platform. The Trustees expect the managers of actively managed funds to take this risk into account when selecting securities and, as stakeholders, engage with companies who may be affected.

### 1.3 Managing 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.

The Trustees believe that taking investment risk is usually rewarded in the long-term, while asset allocation (i.e. the choice between asset classes, such as equities and bonds) is the key tool for managing the balance between risk and return.

To help mitigate the principal investment risks, the Trustees offer the Lifestyle Option, which automatically moves members from higher risk investments to lower risk investments as they approach retirement. The majority of members in the Lifestyle Option are expected to take income drawdown in 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 believe that the investment options available are appropriate for managing these risks.

At this time, the Trustees have not made explicit allowance for climate change within the development or implementation of its investment strategy. The Trustees do discuss the potential impact of climate risks with its adviser and managers on a periodic basis and will monitor developments in this area. However, the Trustees consider climate change as a financially material risk to investment returns and will periodically review fund managers' to discuss their approach to identifying, measuring, and mitigating climate-related financial risks in line with emerging best practice.

### 1.4 Financially material considerations

The Trustees recognise that the consideration of financially material considerations, including 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 investment managers. This gives access to a range of funds while keeping down costs to members, but this 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:

- Choosing active 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 and are satisfied that the fund managers follow an approach which takes account of financially material factors;
- 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. However, the Trustees will keep under review the possibility of introducing an ESG specific fund in the future.
- 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
- Prefer 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.

The Trustees will periodically consider net-zero alignment in investment strategies as needed. Whilst no formal net-zero target date has yet been adopted, the Trustees will periodically assess the feasibility of integrating net-zero aligned funds and strategies within the default and self-select options within the context of any broader review of ESG considerations.

### 1.5 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). The expected returns on the principal asset classes and fund types within the Plan are:

**Equities** – should achieve a strong positive return relative to inflation over the longer-term, but tend to be the most volatile asset class over the shorter-term;

**Diversified Growth / Multi-Asset Funds** – invest in a varying mix of asset classes with an objective of delivering a target level of positive returns relative to inflation or cash over the long-term, with a target level of short-term volatility lower than equities.

**Corporate Bonds** – should achieve a positive return relative to inflation (but lower than that of equities and property) over the long-term, but with a lower level of short-term volatility than equities;

**Fixed Interest Government Bonds (Gilts)** – should deliver a positive return relative to inflation (but lower than that of equities, property and corporate bonds) over the long-term, but with a lower level of short-term volatility than equities and corporate bonds;

**Long-dated Government Bonds (Gilts) and Long-dated Corporate Bonds** – values should move broadly in line with the financial factors influencing annuity rates;

**Cash** – should deliver a positive return which may not always keep pace with inflation, while normally providing a minimal level of volatility and high degree of capital security.

## 1.6 Investment beliefs

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

- Managing the principal investment risks is the most important driver of good long-term member outcomes;
- As the Plan invests for members over the long-term, financially material considerations including the impact of climate change will have a bearing on funds' expected levels of risk and return;
- Investment markets may not always behave in line with long-term expectations during the shorter-term;
- Taking investment risk is usually rewarded in the long term;
- Investment risks can be reduced by spreading investments both within and across asset classes;
- Passively managed funds, whose returns are intended to track a market index, may produce investment returns more efficiently than actively managed funds in some markets;
- Charges and costs (levied by fund managers and platform providers) can have a material effect on net returns;
- Companies demonstrating positive ESG practices are expected to outperform others over the long term;
- Climate change is a material financial risk, particularly to younger members;
- Active stewardship can support positive engagement with members.

## 1.7 Investments held

The Plan invests through pooled investment vehicles considered appropriate for tax-exempt approved occupational pension schemes.

These funds may invest in assets including, but not limited to: quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index-linked bonds, cash, commercial and residential property, infrastructure, commodities and derivatives to facilitate changes in the fund's portfolio of assets or to help mitigate investment risks or to enhance investment returns.

The Lifestyle Option uses funds across asset classes and across the risk / reward spectrum. The self-select fund range also offers members a choice of funds across asset classes and across the risk / reward spectrum.

The Trustees believe that both active and passive management have a place in defined contribution arrangements.

The Trustees consider that all of the stated asset classes are suitable investments for the Plan, while the use of pooled funds facilitates diversification within each asset class.



### 1.8 Structure of 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 asset, and the Trustees' contract with the provider, is the 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.

### 1.9 Delegation of investment decisions

The Plan uses funds provided through an investment platform. This investment platform in turn invests its funds 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.

When selecting funds, the Trustees will ask their investment advisor to consider the investment managers' fees and appropriateness of each fund's investment guidelines.

Ongoing assessment is carried out in the following ways:

- In accordance with the 2015 Regulations, the Trustees conduct an annual Value for Members assessment and will take action should the providers be found to be giving poor value.
- In addition, in accordance with guidance from the Pensions Regulator, the Trustees will periodically review the Plan's choice of providers to ensure their charges and services remain competitive.
- On a quarterly basis, the Trustees monitor the investment managers' long-term (at least 3 year) performance against appropriate benchmarks or targets.
- The investment managers are expected to provide explanations for any significant divergence from a fund's objectives or benchmark / target returns. A material deviation from performance and risk targets is likely to result in the fund being formally reviewed.
- The Trustees also undertake a review at least every three years of the overall appropriateness of the investment options for members.

### 1.10 Selection of funds

The Trustee will invest in 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 will be evaluated by the Trustees to ensure that they are 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 will 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.

### 1.11 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.

### 1.12 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 terms 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.

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 managers 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. Where possible, the Trustees will compare portfolio turnover and the resultant costs against an appropriate index.

The Trustees will challenge the investment managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

### 1.13 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 members' investment horizon. The Trustees will carry out necessary due diligence 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 the long-term, though all funds are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy.

### 1.14 Security of assets

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

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 and the fund vehicles used by the fund managers' funds.

### 1.15 Realisation of investments

Funds need to be sold to allow members to take their benefits and / or to undertake fund switches either in accordance with the Lifestyle Option investment strategy or as requested by individual members. The Trustees expect the investment managers to be able to realise the Plan's funds promptly.

### 1.16 Diversification

Given the size and nature of the Plan, the Trustees invest on a pooled fund basis undertaken through investment managers. The investment managers are expected to maintain diversified portfolios. Subject to the funds' benchmarks and guidelines, the investment managers are given full discretion over the choice of securities and, for multi-asset funds, of asset classes.

The Trustees are satisfied that the range of funds used by the Plan provide adequate diversification within and across asset classes.

### 1.17 Private Markets

The Trustees recognise the evolving landscape of investment options for DC schemes, notably the increasing viability of incorporating illiquid assets into the Plan's default investment strategy. These advancements present opportunities for diversification and enhanced returns within the Plan's investment strategy. However, while acknowledging industry strides in integrating illiquid assets into DC investment strategies, the Trustees deem it necessary to conduct further assessment of their feasibility before committing to their inclusion in the Plan's investment strategy.

Mindful of the inherent challenges and risks associated with illiquid investments, the Trustees underscore the importance of thorough evaluation prior to allocating assets to such strategies. Consequently, the Trustees lean towards exercising patience and prudence, awaiting additional evidence of market development. The Trustees will monitor the maturation of the market for illiquid assets and closely track the performance of associated products. This cautious approach ensures that any potential investment aligns with the Plan's risk tolerance, objectives, and fiduciary duty to safeguard member interests.

Given the relatively modest size of the DC section of the Plan, both in terms of assets under management and the number of members, the Trustees will adopt a proportionate response to investing in illiquid assets. The Trustees' stance is that any prospective allocation to illiquid assets will be contingent upon it serving the best interests of the members.

### 1.18 Member attitude to risk

The Trustees recognise that:

- Members have differing investment needs and that these needs change during the course of their working lives; and
- 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, in particular as they approach retirement.

As a result, the Trustees believe that a range of investment options should be offered to members.

The Trustees believe it is in the best interests of members to offer a Lifestyle Option which manages the principal investment risks members face during their membership of the Plan. The default arrangement is therefore a lifestyle strategy which the Trustees believe is broadly appropriate to the needs of the membership.

### 1.19 Member benefit choices at retirement

Members have a choice at retirement of one or more of the following:

- Taking cash at retirement;
- Taking Uncrystallised Funds Pension Lump Sums (“UFPLS”) for several years into retirement;
- Using Flexible Access Income Drawdown (“FAD”) during their retirement; or
- Buying an annuity at retirement or several years into their retirement.

Cash and annuity purchase at retirement together with UFPLS in the early years of retirement will be provided within the Plan. However, members wanting to use FAD throughout retirement or use FAD and then buy an annuity at a later date will need to transfer their DC pot to an arrangement outside the Plan in order to access these benefit types.

The Trustees believe that members’ choices of benefits at retirement will be strongly influenced by:

- The size of their DC pot in the Plan;
- The size of their deferred benefits from previous occupational pension schemes (especially defined benefits) and workplace group personal pension plans; and
- Other sources of income, including non-pension savings and partner’s pension provision.

In practice, the Trustees can only reliably take the size of members’ DC pots in the Plan into account. The Trustees believe that a typical member, without significant sources of income outside the Plan, could be expected to act mostly as follows:

- Small pots – would be taken as cash or UFPLS over a few years in retirement.
- Large pots – would be taken partly as cash at retirement and then FAD income drawdown during retirement.

The Trustees believe that it is in the best interests of members to have a Lifestyle Option that targets the method by which the majority of members are expected to take retirement benefits.

### 1.20 Non-financial factors

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

The Trustees note that most members have not made active investment choices and so the Trustees believe that most members are unlikely to have strong views on where their savings are invested. The Trustees have therefore decided that it would not be worthwhile surveying members’ views on non-financial factors relating to the Plan’s investments.

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.

### **1.21 Balance of investments**

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.

#### **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 meets the objectives of each default arrangement and other investment options.

The funds used at each stage of the default arrangement 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.

## 2 Investment aims and objectives

### 2.1 Overall objectives

The Trustees' overall objective is to provide a range of suitable funds to facilitate good retirement outcomes for members.

The Trustees believe that understanding the demographics and likely attitudes to risk / reward of the members are essential to developing and maintaining an appropriate investment strategy. It is also believed that members typically seek to optimise the value of their retirement benefits from a given level of contributions, while aiming to protect the value of those benefits in the years approaching retirement against market falls and fluctuations in the costs of turning fund values into retirement benefits / retirement income streams.

### 2.2 Default Arrangement

#### Reasons for default arrangement

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

- It is believed that a significant proportion of the membership are either unengaged in or unable to decide where their DC pot should be invested;
- A significant proportion of the membership are expected to have broadly similar investment needs;
- The Plan is a qualifying scheme for auto-enrolment purposes and is required by Regulations to have a default arrangement;
- It should be easy for members to continue to build retirement benefits without the need to make any investment decisions;
- The Trustees believe that the presence of an effective default arrangement will help deliver good outcomes for members at and into retirement; and

#### Objectives of the default arrangement

The main objective of the default arrangement is to provide good member outcomes at retirement while subject to a level of investment risk which is appropriate to the majority of members who do not make active investment choices.

The Trustees believe that the Lifestyle Option is an appropriate default arrangement for members if they do not elect to make a decision on where their contributions should be invested. The principal objectives of the Lifestyle Option are:

- To manage the principal investment risks faced by an average member 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
- To target the majority of members who are expected to either take cash at retirement or use Flexible Access Income Drawdown ("FAD") during their retirement.

Full details of the Lifestyle Option are provided in appendix 3.

### 2.3 Other investment options

The Trustees believe that the following investment options are appropriate to achieve the overall objectives of the Plan.

#### Reasons for the investment options

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

- While the default arrangement is intended to meet the needs of a majority of the Plan's members, it 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.

#### Objectives for the investment options

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 pots are invested;
- Complement the objectives of the default arrangement
- Provide a broader choice of levels of investment risk and return;
- Provide a broader choice of investment approaches;
- Help members more closely tailor how their pension pots are invested to their personal needs and attitude to risk;
- Help members more closely tailor how their pension pots are invested to reflect the benefits they intend to take at retirement.

Full details of the investment options are provided in Appendix 3.

The Trustees will regularly review the extent to which ESG integration within self-select fund options meets member needs and aligns with the Trustees' responsible investment beliefs, aiming to enhance the availability of ESG-focused investment options where necessary.

#### Choosing the investment options

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 profile;
- The likely sizes of members' pension pots 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; and
- The degree to which members are likely to take an interest in where their contributions are invested.

#### Costs of investment options

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

#### 2.4 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.

## 3 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.

### 3.1 Trustees' Powers

The Trustees will always act in the best interests of the members and will assess the suitability of different types of investments to meet the needs of members.

The Trustees commit to ongoing compliance with evolving regulatory expectations, including guidance issued by the Department for Work and Pensions (DWP) and the Pensions Regulator (TPR), particularly regarding the management of financially material ESG risks and stewardship responsibilities.

### 3.2 Conflicts of interest

In the event of a conflict of interests, the Trustees will ensure that contributions are invested in the sole interests of members and beneficiaries.

### 3.3 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 also includes monitoring the levels of portfolio turnover, in the event 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.

In addition, the Trustees will conduct an annual interim assessment of the SIP to identify any necessary updates driven by significant market developments, regulatory changes, or shifts in member demographics.

**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** – The Trustees will consider any conflicts of interest arising in the management of the funds used by the Plan and has ensured that each investment manager has an appropriate conflict of interest policy in place.

### 3.4 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 Plan'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.

### 3.5 Responsibilities

The parties principally responsible for the governance and operation of the Plan are:

- **The Employer** – who pays the contributions and provides membership data.
- **The Trustees** – who run the Plan in accordance with its Rules and choose the providers / funds.
- **Fund managers** – undertake the day-to-day investment management of the funds' assets.
- **Pension Administrator** – maintains records of members' funds and calculates benefits.
- **Custodians** – are appointed by the investment managers and look after the assets of the funds.
- **Investment Consultant** – advises the Trustees on the Plan's investments and preparation of this statement.
- **Members** – should choose the investment option(s) in which contributions are invested and how they are likely to take their benefits at retirement.

The Trustees do not give advice to individual members on their fund selections. Members are encouraged to take independent financial advice when making their individual investment choices.

In preparing this Statement, the Trustees have taken into account current guidance from the Pensions Regulator.

Having taken advice from the Plan's investment consultants, the Trustees are satisfied that the appointed investment managers have sufficient experience and expertise to carry out their role. The Trustees have delegated all day-to-day investment management decisions to the Investment Managers authorised under the Financial Services & Markets Act 2000.

The responsibilities are described in greater detail in Appendix 1.

### 3.6 Conflicts of interest

The Trustees maintain a register of interests of each of the Trustee Directors and their advisers. This register is reviewed 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 interest, the Trustees will need to ensure that contributions for the Lifestyle Option are invested in the sole interests of members and beneficiaries.

### 3.7 Communication

The Trustees communicate regularly with all stakeholders. This includes the following:

- Consulting with the Employer on the content of this Statement;
- Providing communications to Plan members;
- Producing the Annual Report and Accounts which includes the Chair's statement;
- Completing an annual return to the Pensions Regulator;
- Meeting regularly with the investment consultants, investment managers and the Pensions Administrator; and
- Providing a range of literature to assist members in making their investment decisions. In addition, members have access to factsheets for each fund.

### 3.8 Service Providers

**Details of the current service providers and investment managers for the Plan are set out in Appendix 2 to this Statement.**

### 3.9 Fees

Details of the current fees for the Plan's service providers and funds are set out in Appendix 4 to this Statement.

## 4 Monitoring

### 4.1 Investment Performance

The Trustees regularly review the performance of each fund that is available to members against its stated performance objective. The Trustees receive an investment monitoring report from the investment consultant on a quarterly basis, which includes a review of the investment performance.

The Trustees aim to meet with all fund managers on a periodic basis. The Trustees 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 Trustees 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.

### 4.2 Lifestyle Option

The Trustees monitor the suitability of the objectives for the Lifestyle Option and the performance (after the deduction of charges) of the Lifestyle Option against these objectives at least every three years.

### 4.3 Charges

The charges for the investment options borne by members (expressed in terms of each fund's "Total Expense Ratio") are monitored by the Trustees annually to ensure that they represent "value for money" relative to the needs of the membership. The Trustees' annual Value for Members assessment will include benchmarking against comparable DC schemes to ensure that charges remain competitive, transparent, and commensurate with the services provided.

The Plan is a qualifying scheme for auto-enrolment purposes. The Trustees monitor the compliance of the Lifestyle Option with the charge cap introduced by the Pensions Act 2014, which applies from the Plan's auto-enrolment staging date.

Details of the current charges are set out in Appendix 4 to this Statement.

### 4.4 Transaction costs

The Trustees monitor the funds' transaction costs to ensure that they are reasonable and represent value for money to members.

### 4.5 Investment process

The Trustees monitor the processes whereby contributions in respect of members are invested in and money is disinvested from the investment options to pay benefits.

### 4.6 Chair's Statement

The Chair's Statement included in the Annual Report and Accounts confirms the results of the monitoring during the preceding year.

### 4.7 Voting Activity

The Trustees monitor the fund managers voting activity on a periodic basis.

## 5 Stewardship

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

The Plan offers members the default arrangement and a choice of alternative lifestyle options and self-select funds. The Trustees' stewardship activities are focused on the default arrangement which is used by most members.

### 5.1 Members' financial interests

The Trustees have requested that the investment managers have the financial interests of the members as their first priority when choosing investments.

### 5.2 Environmental, social and governance issues

The investment managers may take environmental, social or governance considerations into account only when these factors do not conflict with the financial interests of members.

The Trustees periodically review the investment managers' policies in respect of socially responsible investing. The Trustees are satisfied that the investment managers' policies are consistent with the above approach.

### 5.3 Voting and engagement rights

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, who 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.

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage them to exercise those rights on behalf of members' interests when they believe there could be a potential financial impact on the funds. The Trustees periodically review the investment managers' governance policies.

Where relevant, the Trustees have reviewed the voting and engagement policies of the fund managers and determined that these policies are appropriate. On a periodic basis, the Trustees will request that the fund managers provide details of any change in their house policy.

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 appropriate to actively encourage the fund managers 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 will request, where appropriate and practicable, that the investment managers notify the Trustees of any issue on which it may be beneficial for the Trustees to undertake further engagement. The Trustees will review engagement activity undertaken by the fund managers as part of its broader monitoring activity.

#### 5.4 Monitoring

The Trustees monitor the fund managers voting activity on a periodic basis. The Trustees review the fund managers' voting activity on a periodic basis 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.

The Trustees aim to meet with all fund managers on a periodic basis. The Trustees 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 Trustees 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.

The Trustees will periodically review the fund managers' annual stewardship reports detailing voting records, engagement outcomes, and compliance with the UK Stewardship Code. These reports will form part of the Trustees' regular reviews to ensure alignment with their responsible investment beliefs.



## Appendix 1: Responsibilities

The responsibilities outlined in section 3 are as follows.

### Trustees

The Trustees' primary investment responsibilities include:

- Operating the Plan in accordance with its Trust Deed and Rules.
- Ensuring that the investment options are suitable for the Plan's membership profile.
- Preparation of the Statement of Investment Principles, reviewing the content of the Statement and modifying it if deemed appropriate, in consultation with the Principal Employer and the investment consultant.
- Appointing investment consultant and other advisors as necessary for the good stewardship of the Plan.
- Appointing the investment managers who invest the Plan's assets.
- Assessing the performance, charges and processes of the investment managers by means of regular, but not less than annual, reviews of investment performance and other information, with the investment consultants.
- Monitoring compliance of the investment arrangements with this Statement on a regular basis.
- Preparing an annual Chair's statement for inclusion in the Annual Report and Accounts.

### Employer

The Employer is responsible for paying the contributions, providing membership data and for providing support to the Trustees to help govern the Plan.

### Investment consultant

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 arrangement, lifestyle strategy and self-select fund range.

The investment consultant's main responsibilities include:

- Assisting the Trustees in the preparation and review of this Statement.
- Providing the Trustees with quarterly monitoring reports, including commentary on any changes to a fund's investment approach and a review of the investment performance.
- Undertaking project work including reviews of investment strategy, investment performance and manager structure as required by the Trustees.
- Advising the Trustees on the selection and review of performance of the Plan's investment managers.

- Providing training or education on any investment related matters as and when the Trustees see fit.

### Investment Managers

The investment managers are responsible for:

- Day-to-day investment management of the funds' assets.
- Exercising voting rights on shareholdings in accordance with their general policy.
- Following its general policy on socially responsible investment.

### Custodian

The custodians are appointed by the investment managers. The custodians are responsible for ensuring the security of the funds' underlying assets and recording sales and purchases of the funds' underlying assets.

### Administration

The Pension Administrator is responsible for passing contributions to the investment managers and ensuring that members are allocated the correct number of units in the funds. It is also responsible for operating the lifestyle strategy and general administration, including record-keeping, providing members with annual benefit statements and paying benefits when they become due.

The Pensions Administrator's main investment related responsibilities include:

- The prompt investment and reconciliation of contributions.
- Undertaking switches between funds as required.
- Operating the Lifestyle Option.
- Maintaining records of the members' investments.
- Realising investments to pay benefits.

### Members

Members are responsible for deciding the amount that they will contribute within the Plan's guidelines. Members are also responsible for choosing the investment option(s) in which contributions are invested, consistent with their tolerance of risk and how they are likely to take their benefits at retirement.

## Appendix 2: Service providers

The Trustees have appointed the following service providers:

### **Investment Consultant**

The investment consultant is Hymans Robertson LLP.

### **Investment Managers**

The investment managers are:

Legal and General Investment Management (“LGIM”)

### **Custodians**

The funds’ custodians are appointed by the investment managers.

### **Administration**

The administration of the Plan is carried out by Hymans Robertson LLP.

## Appendix 3: Investment options

The Trustees offer a Lifestyle Option that is designed to cater for the investment needs of most members and takes into account the new retirement benefit options available since the 2014 Budget. The investment strategy under the Lifestyle Option is designed to target the form of retirement benefits that members may choose: income drawdown or cash. Members are automatically placed in the Lifestyle Option (the default arrangement) if they do not elect to make a decision on how their contributions should be invested.

The Lifestyle Option has been made available specifically for members who either do not wish to take an active role in how their contributions are invested or believe that this option will be most appropriate for their requirements. The asset allocation of the Lifestyle Option changes systematically over time in a way that is deemed to be consistent with an appropriate amount of risk for that stage in a member's working career.

Members can select their own target retirement age for the Lifestyle Option. If members do not select their own target retirement age, the Lifestyle Option will be based on the normal retirement age of 65.

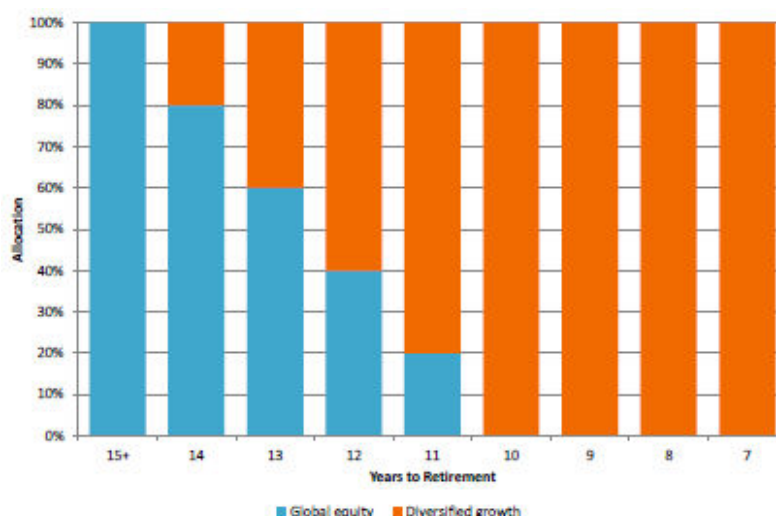
The investment strategy for the Lifestyle Options can be split into two phases:

- Accumulation phase – more than 7 years to retirement date.
- Pre-retirement phase – less than 7 years to retirement date.

### Accumulation Phase

The aim during the accumulation phase is to maximise the value of the member's investment in real terms. During the early part of this phase, up to 15 years before the members' retirement, the Lifestyle Option is fully allocated to passive global equity. Volatility of return is likely to be relatively high during this part of the pre-retirement phase.

From 15 years before retirement, members' DC pots are expected to have grown to a size such that the value at risk is material and therefore to control the level of volatility of the DC pot value, assets will be gradually switched into a diversified growth fund such that, at 10 years before retirement, the member will be fully invested in this fund.



### Pre-retirement phase

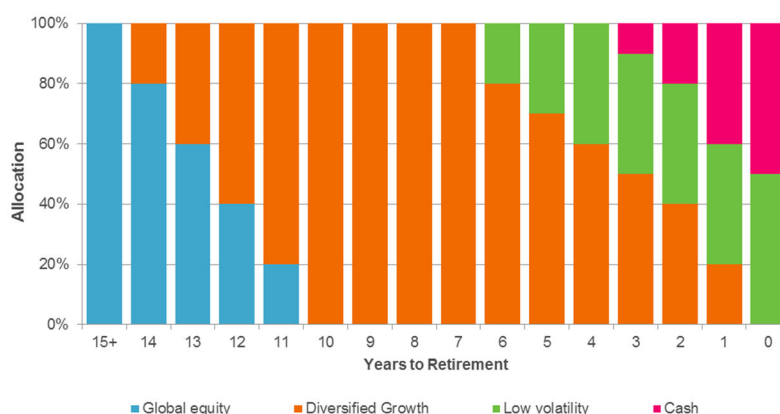
The pre-retirement phase prepares the members' investments for retirement. The primary objective of this phase is to manage risks and help mitigate fluctuations in the size of the member's DC pot value relative to the benefit the member is likely to take at retirement. At this point, members are segmented into two different glidepaths depending on their DC pot size at 7 years before retirement:

- Members with larger pot sizes (more than £75,000), who are likely to take some or all of their benefits in a flexible “drawdown” way, are defaulted into a “drawdown” glide path.
- Members with smaller sized pots (£75,000 or less) who are likely to take their benefits as cash, are defaulted into a “cash” glide path.

### Cash glidepath

From 7 years before retirement, the “cash” glide path investments are gradually switched from a diversified growth fund to lower risk funds which help manage the risks associated with converting a member's savings into cash. As shown in the graph below, this glide path targets an asset allocation of 50% low volatility fund and 50% cash at the retirement date.

Years to retirement	Global Equity %	Diversified Growth %	Low Volatility %	Cash %
15 +	100	-	-	-
14	80	20	-	-
13	60	40	-	-
12	40	60	-	-
11	20	80	-	-
7 – 10	-	100	-	-
6	-	80	20	-
5	-	70	30	-
4	-	60	40	-
3	-	50	40	10
2	-	40	40	20
1	-	20	40	40
0	-	-	50	50



### Drawdown glidepath

The “drawdown” glide path remains fully invested in the diversified growth fund for a further 2 years until the member is 5 years from retirement. From 5 years before retirement, the “drawdown” glide path investments are gradually switched from a diversified growth fund to lower risk funds which help manage the risks associated with taking retirement savings in a flexible manner. As shown in the graph below, this glide path targets an asset allocation of 40% diversified growth fund, 40% low volatility fund and 20% cash at the retirement date.

Years to retirement	Global Equity %	Diversified Growth %	Low Volatility %	Cash %
15 +	100	-	-	-
14	80	20	-	-
13	60	40	-	-
12	40	60	-	-
11	20	80	-	-
5 – 10	-	100	-	-
4	-	80	20	-
3	-	70	30	-
2	-	60	30	10
1	-	50	30	15
0	-	40	40	20





### Funds used in Lifestyle Option

The following funds are used in the Lifestyle Option and are managed by LGIM:

Fund type	Fund name	Objective	Benchmark
Equity	World Equity Index Fund	The fund's objective is to maximise long-term growth by investing in global equities.	FTSE World Index
Diversified Growth	Dynamic Diversified Fund (DDF)	This fund aims to provide long-term growth through investing across a wide range of traditional and alternative asset classes.	Bank of England Base rate + 4.5% p.a.
Low Volatility	Retirement Income Multi-Asset (RIMA) Fund	This fund aims to provide long-term growth up to and during retirement through investing in a range of lower risk assets compared to the Dynamic Diversified Fund. It aims to provide investors with a flexible retirement income.	Bank of England base rate + 3.5% p.a.
Cash	Cash	This fund invests in the short-term money markets such as bond deposits and Treasury Bills. It aims to exceed the average return for cash portfolios without incurring excessive risk.	7-day LIBID

### Self-select fund range

Members are offered a choice of self-select investment funds across a range of asset classes and investment styles. This includes the underlying funds used in the Lifestyle Options in addition to the following funds offered by the Plan's investment managers.

#### LGIM

Fund type	Fund name	Objective	Benchmark
Equity	Global Equity Fixed Weights (50:50) Index Fund	The fund aims to maximise long-term growth by investing 50% in the UK and 50% overseas equity market.	Composite of market indices
Bonds	Bond Fund <i>[50% Over 15 Year Gilts Index Fund 50% AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund]</i>	The fund is invested equally in two underlying funds. The fund aims to capture the total return from a mix of fixed interest and corporate bonds. Corporate bonds are less secure than government bonds but generally offer a higher return.	Composite of market indices
Bonds	Pre-Retirement Fund	This fund aims to provide diversified exposure to assets and is aimed at members who are reducing their risk exposure as they approach retirement. The fund invests in assets which broadly track the price of a typical level annuity product.	Composite of market indices

Fund type	Fund name	Objective	Benchmark
Cash	Cash glidepath	As described above. The cash glidepath is available to all members as a self-select fund, within and outside the Lifestyle Option.	

### Prudential AVCs

Fund type	Fund name	Objective
Cash	Prudential Deposit Fund	This fund invests in the short-term money markets such as bond deposits and Treasury Bills.
	Santander Cash Fund	
Equities	Prudential Global Equity Fund S3	The fund's objective is to maximise long-term growth by investing in global equities.
Gilts	Prudential Index-Linked Fund S3	This fund invests in index-linked gilts.
Multi-asset	Prudential Discretionary Fund S3	This fund aims to provide long-term growth through investing across a wide range of asset classes.
	With Profits - Cash Accumulation	

Members cannot invest concurrently in Lifestyle Option and the self-select funds.

If a member, who is invested in the Lifestyle Option, changes their target retirement age, the member's investment strategy will be amended in line with their desired target retirement date.

Rebalancing between these funds takes place on an annual basis. "Reverse switching" in the event of marked relative movements between funds causing an overshoot of the target asset allocation is not undertaken.

### Review

The current Lifestyle Option and self-select fund range were last reviewed in 2023.

## Appendix 4: Fees and charges

### Investment consultant

The Plan's investment consultant is remunerated for on a fixed fee or time-cost basis. The Trustees believe that this approach ensures that all advice is impartial and independent.

### Investment management

The investment managers apply the following charges for investing in the funds selected by the Trustees:

#### Lifestyle Option

Fund	Annual Management Charge % p.a.	Additional Expenses % p.a.*	Total Charge % p.a.**
LGIM World Equity Index Fund	0.20	-	0.20
LGIM Dynamic Diversified Fund (DDF)	0.35	0.05	0.40
LGIM Retirement Income Multi-Asset (RIMA) Fund	0.35	0.03	0.38
LGIM Cash	0.13	-	0.13

Source: LGIM as at 31 December 2023

The Trustees monitor the total charges of the funds used in the Lifestyle Option on a quarterly basis. The total charges borne by members in the Lifestyle Option over a rolling 12-month period comply with the charge cap.

#### Self-select fund range

Fund*	Annual Management Charge % p.a.	Additional Expenses % p.a.*	Total Charge % p.a.**
LGIM Global Equity Fixed Weights (50:50) Index	0.17	-	0.17
LGIM Bond Fund	0.13	-	0.13
LGIM Future World Annuity Aware Fund (ex-Pre-Retirement Fund)	0.15	-	0.15

Source: LGIM as at 31 December 2023

The charges for the Lifestyle Option and Cash glidepath (as a self-select option) depend on where the member sits in the years to retirement.

**AVCs**

Fund	Annual Management Charge % p.a.	Additional Expenses % p.a.*	Total Charge % p.a.**
Prudential With-Profits Cash Accumulation Fund***	n/a	-	n/a
Prudential Deposit Fund	n/a	-	n/a
Prudential Discretionary Fund S3	0.80	-	0.80
Prudential Global Equity Fund S3	0.77	-	0.77
Prudential Index-Linked Fund S3	0.76	-	0.76
Santander Cash Fund	No cost	-	No cost

Source: Santander and Prudential as at 31 December 2023

\* Additional expenses are all the other operating costs and expenses (OCEs) within the fund, including the known fixed cost of operating the funds (fund administration, custody and professional fees), but excludes transaction costs. These costs can vary from fund to fund and from time to time but are accurate as at 31 December 2023.

\*\* The Total Charge is also known as a fund's "Total Expense Ratio" (TER) and is the sum of a fund's AMC and OCE. It excludes transaction costs on the fund's underlying assets.

\*\*\*With Profits: Some member contributions are invested in the Prudential With Profits Cash Accumulation Fund. The charges and transaction costs for With Profits Funds are deducted from the overall fund before bonus rates are set for all policyholders. As a result, it is not possible to determine the exact charges and costs borne by members. It should be noted that the implicit charges for the With Profits Fund cover the cost of guarantees and reserving as well as investment management and administration.

**Investment costs**

The charges for the investment options are borne by the members.

The charges for the routine administration of the Plan are borne by the Trustee. The employer also pays an annual charge for the Dynamic Diversified Fund and the Bond Fund as these are white-labelled funds.

The custodian costs for holding the funds' assets are included in the funds' Ongoing Costs and Expenses (OCE), while the custodians' costs for buying and selling the fund's underlying assets are included in the funds' transaction costs.

The funds' total charges and transaction costs are monitored by the Trustees. The results of this monitoring are set out in the annual Chair's statement which is included in the Trustees' annual report and accounts.

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.



### Administration

The administration service provider is remunerated on a fixed fee basis.

The administration costs are paid by the Trustees.