Wessex Water DC Pension Scheme

Annual statement by the Chair of the Trustees for the year to 30 September 2020

What is this Statement for?

It's important that you can feel confident that your savings in the Wessex Water DC Pension Scheme ("the Scheme") are being looked after and give good value.

This Statement sets out how the Trustees have managed the Scheme in the last year and what they aim to do in the coming year.

A copy of this Statement, together with other key Statements about how the Scheme is managed are posted on-line at **https://www.wessexwater.co.uk/corporate/the-company/governance-and-assurance**

What's in this Statement?

We've included information on the following areas in this Statement:

1. How we manage your Scheme – who the Trustees are and what guides our decision making;
2. Investment options – what we have done to check the performance and suitability of the Scheme's investment options, especially those used by members who don't want to make an investment choice (known as the "default arrangement");
3. Cost and charges – what costs and charges you have paid in the last year and how these might impact the size of a typical member's savings in the Scheme over time;
4. Value for Members - how the quality of the Scheme's services (including the investment returns on your savings) which you pay for compare to other pension schemes.
5. Administration – how well the Scheme has been administered including how promptly and accurately key transactions (such as the investment of your contributions) have been processed;
6. Trustee knowledge – what we as Trustees have done to maintain our level of knowledge and obtain the professional advice we need to look after the Scheme for you;
7. Our plans for the next year – what key actions the Trustees took in the last year and what we aim to do in the coming year to continue to improve the Scheme for all our members.

What were the highlights from the last 12 months?

We can confirm to you that:

1 How we manage your Scheme

Andy Pymer and Lee Derrick were appointed as a new Trustee Directors in September 2020 when Marilyn Smith and Mark Watts retired.

The Statement of Investment Principles, which sets out the Trustees' policies on how your contributions should be invested, was updated on 29 September 2020 to reflect the Trustees' new shareholder voting and engagement policy with the Scheme's fund managers.

The first implementation report describing how the Trustees have followed their policies set out in the Statement of Investment Principles has been completed and can be viewed online.

At 30 September 2020 the Scheme had 3,745 members and was worth a total of £38.6million.

2 Investment options

We completed a high-level review of the Scheme's default arrangement(s) in April 2020. We're satisfied that the default arrangement has performed in-line with our objectives and remains suitable for most members because the arrangement caters for the majority of the members when considering their projected pot sizes at retirement, contribution levels, the likely return on investment and trends which signify that most members will want to take their entire benefit as cash at retirement – see section 2 for more details. The next full review of the investment options will be carried out in 2021.

The Scheme's lifestyle options were changed in April 2020 to remove the L&G Global Equity 30:70 Index Fund and replace it with the L&G Future World Fund. The Scheme's self-select range was also updated to include the L&G Future World Fund.

3 Cost and charges

You pay for the Scheme's investment, administration, and communications while the Employer pays for the Schemes governance and part of the communications.

We monitored the costs and charges going out of members' pension pots during the last year:

The charges in the last year for the "default arrangement" ranged from 0.34% to 0.49% of the amount invested (or, put another way, in a range from £3.40 to £4.90 per £1,000 invested) – which is well within the "charge cap" for auto-enrolment in our Scheme required by the Government.

We have also looked at how the costs and charges taken out of a typical member's pension pot each year might affect its future size when they come to retire. Over a 29 year period, the current level of costs and charges for the Scheme's default arrangement could reduce the size of a pension pot by £6,433 leaving £72,881 at age 65.

4 Value for Members

Each year we look at the costs and charges you pay as well as the range and quality of the services you pay for and see how they compare with similar pension schemes.

We found that the Scheme gives good value in the last year. Over the next year our main priority to maintain value for you will be to:

Continue to monitor the performance of the AVC default arrangement and carry out a full review as part of the Schemes DB strategy review in 2021.

Complete a high-level review of the ongoing appropriateness of Legal & General as the Scheme's platform provider.

Continue to monitor administration performance levels each quarter and to review and consider any required action to ensure that any missing information is obtained;

Communicate a summary of the results of this assessment in the Chair's Statement to inform members, which will be posted on-line.

Consider seeking further statistics on how members are engaging via the Scheme's online website e.g. number of website hits and on-line transactions over the year.

The Trustees will continue to receive training over the next 12 months and flag where there are gaps in their knowledge and will also consider the emerging risks in relation to the DC Scheme. This will include ensuring each Trustee Director continues to be familiar with the Scheme's documentation (Scheme Rules, SIP), investment matters, pensions Law/Regulations and the Pensions Regulator's DC Code.

The Trustees will focus their knowledge on a project to look at options for master trust and whether ultimately this arrangement would provide overall better value and outcomes for members.

Completion of the Scheme assessment against the new DC Code in 2021.

Undertake a mid-year review to monitor value for members progress and further embed value into the Scheme's governance.

See section 8 for more details.

5 Administration

We check that the administration of the Scheme is going smoothly at our quarterly meetings and found that:

All the key financial transactions were processed promptly and accurately by Legal & General; and

The wider administration of the Scheme was completed within the service standards we agreed with Legal &General

The Covid19 coronavirus pandemic inevitably affected the Scheme around March 2020 while:

Legal & General arranged for most of its staff to work from home and dealt with increases in staff absences;

Trading in property funds was suspended because of the difficulty in fairly valuing properties, and

There was a large one-off move of members' savings between funds when we restructured the Scheme's lifestyle arrangements to replace the L&G Global Equity 30:70 Index Fund with the L&G Future World Fund. We worked closely with Legal & General and our DC Investment Adviser to ensure this took place smoothly and costs to the members involved were kept as low as possible.

6 Trustee knowledge

It's important that we as Trustees keep our knowledge of pension and investment matters up to date and have access to sound professional advice.

Andy Pymer and Lee Derrick were appointed as a new Trustee Directors in September 2020 when Marilyn Smith and Mark Watts retired. All new Trustee Directors are asked to complete the Pensions Regulator's "Trustee Toolkit" (an online learning platform) within 6 months of becoming a Trustee Director

All the Trustees attended training sessions during the year to keep informed of developments which would impact the members or provide opportunities to add value for them – see section 6 for more details.

There have been no changes to the Trustees' advisers during the year.

Overall, the Trustees believe that they have the right skills and expertise together with access to good quality professional advice so that they can run your Scheme properly.

7 Our plans for the next year

During the next year the Trustees aim to:

A project to review whether a master trust arrangement would provide better value for money for members

A high-level review of Legal & General as the Scheme's DC platform provider;

Complete training on at- and post-retirement market and other emerging DC issues;

Review and amend as appropriate the Statement of Investment Principles;

If appropriate review the new PLSA targets and consider how these could apply to the Scheme

We were unable to obtain some information on the Scheme – this is set out at the end of section 8. We are chasing the provider for this missing information.

The rest of this Statement goes into more detail - please read on if you want to find out more about how we have managed your Scheme in the last year.

We hope this Statement is of help to you planning for your future. If you have any questions, please contact the pension team on:

Email: pensions@wessexwater.co.uk

Telephone: 01225 526117

Address: Operations Centre, Wessex Water, Claverton Down, Bath, BA2 7WW

Introduction

Governance requirements apply to defined contribution ("DC") pension arrangements like the Wessex Water Pension Scheme, to help members achieve a good outcome from their pension savings. The Trustees are required to produce a yearly statement describing how these governance requirements have been met.

This Statement covers the period from 01 October 2019 to 30 September 2020

For the record
This Annual Statement regarding governance has been prepared in accordance with:

Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715) as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (SI 2015/879); and

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 (SI 2018/233).

____ Date: __________________

Huw Davies

Signed by the Chair of Trustees of the Wessex Water Pension Scheme

1 How we manage your Scheme

At 30 September 2020 the Trustees of the Wessex Water DC Pension Scheme were:

Huw Davies (Chairman); Jerry Lavis; Alan Morgan; Brian McNicol; Mark Nicholson; John Thompson; Marilyn Smith; Frank Sweeting; Mark Watts; Andy Pymer; Lee Derrick

Andy Pymer and Lee Derrick became Trustee Directors on in September 2020. Marilyn Smith and Mark Watts resigned in September 2020.

The Statement of Investment Principles sets out the Trustees' investment policies which the Trustees, with the help of their advisers, review at least every three years. The last review was carried out in August 2020 and the Statement was changed on 29 September 2020 to reflect the Trustees' new voting and engagement policy with the Scheme's fund managers.

An implementation statement setting out how the Trustees complied with the Statement of Investment Principles during the year to 30 September 2020 has been published with the current year's accounts.

Over the year to 30 September 2020 the number of members grew from 3,387 to 3,745, while the total value of members' pension pots grew from £31.9m to £38.6m.

2 Investment options

Default arrangement

The Scheme's default arrangement, the Retirement Planner 15 Year Cash Lifestyle, is designed for members who join the Scheme and do not choose an investment option. The Trustee are responsible for the governance, of the default arrangement which includes setting and monitoring its investment strategy.

The Trustees decided that the default arrangement should be a lifestyle strategy, which means that members' contributions are automatically moved between different funds as they approach their selected retirement date.

The main investment objectives for the default arrangement are in outline:

- To manage the principal investment risks faced by an average member during their membership of the Scheme.
- To target the majority of members who, in the case of the Scheme, are expected to take 100% cash at their selected retirement date.
- To invest in funds which are expected over the long-term to deliver strong returns relative to inflation for members over 15 years from retirement.
- During the last 3 years before retirement, to increasingly invest in lower risk funds which are expected to help mitigate fluctuations in the sizes of both members' fund values and the benefits members are likely to take at retirement.

The Statement of Investment Principles for the default arrangement is appended to this Statement. Please note that the Statement of Investment Principles covers all the Scheme's investments – the principles guiding the design of the default arrangement are set out on pages 9 to 10

The Trustees believe that the default arrangement is appropriate for the majority of the Scheme's members because:

- Anecdotal member feedback suggests that a significant proportion of the membership are either not engaged in or unable to decide where their DC pot should be invested (97% of members were invested in the default arrangement as at 30/9/2020);
- A significant proportion of the membership are expected to have broadly similar investment needs;
- The Trustee Directors have taken into account a number of factors including: members' projected pot sizes at retirement, contribution levels and the likely return on investment after the deduction of charges payable on the funds used by the default strategy. The default funds remain appropriate based on detailed analysis (which was carried out in September 2018) that the majority of members retiring in the next few years are expected to have small DC pots at retirement (less than £30,000).
- Based on this analysis, the Trustee Directors believe that most members retiring in the foreseeable future will want to take their entire benefits from the Scheme as cash at retirement. The default strategy reflects these factors.

The Trustees regularly monitor the investment performance of the default arrangement and formally review both the investment performance against the default arrangement's objectives and the suitability of the investment strategy at least every three years.

No full review of the performance and suitability of the default arrangement was due to be undertaken during the year. The last full review was completed on 28 September 2018. The next full review is intended to take place by September 2021 or immediately following any significant change in investment policy or the Scheme's member profile.

The Trustees are satisfied that the default arrangement remains appropriate for the majority of the Scheme's members because:

Its investment performance has been consistent with its investment objectives;

Its design continues to meet its principal investment objectives;

The demographic profile of the membership has not changed materially; and

Members' needs and likely benefit choices at retirement have not changed materially.

However, the review considered new market developments and the Trustee Directors made the decision to replace the current Legal & General Global Equity Market Weights 30:70 GBP Currency Hedged Fund with the Legal & General Future World Climate Change Equity Factors Index Fund within the Growth phase of the default (and alternative lifestyle) arrangements as a result of the review.

The Trustee Directors made the change to the lifestyle strategies because they believed that the new fund would provide better risk adjusted returns and meet their objectives more effectively than the previous fund. .

During the reporting period the Legal and General Property Fund was temporarily closed to the investment of new contributions and sales of existing investments by the fund manager. The Trustees agreed that it was in the best interests of members to temporarily redirect contributions to the Legal and General Cash Fund.

Property funds typically suspend dealing during uncertain economic periods and therefore the Trustees agree that the Cash Fund is a suitable default choice to re-direct members contributions as it poses the least volatility for members investments.

The Legal and General Property Fund has now re-opened and the Trustees agreed that members future contributions should be redirected back. Members were also notified that they can transfer their holdings in the Cash Fund back to the Property Fund.

Other investment options

The Trustees recognise that the default arrangement will not be suitable for the needs of every member and so the Scheme also offers members a choice of other investment options including alternative lifestyle options; and self-select funds. The main objectives of these investment options are:

- To cater for the likely needs of a wider range of members;
- To cater for members looking to take different benefits at retirement than those targeted by the default arrangement;
- To offer a wider range of asset classes, levels of risk and return and different investment approaches including ethical investment; and
- To support members who want to take a more active part in how their savings are invested.

The Trustees carry out an in-depth review of the performance and suitability of these other investment options at least every 3 years. The last full review was completed on 28 September 2018, where the Trustee found that the investment options for the funds were suitable. Some of the actively managed funds have had mixed performance compared to their respective benchmarks and the Trustee continues to closely monitor the suitability of these funds.

In keeping with the Pensions Regulator's guidance, the Trustees also carry out an annual high-level review of the performance and suitability of these other investment options. There were no issues with these investment options last year.

3 Costs and charges

The charges and costs borne by members and/or the Employer for the Scheme's services are:

Service	By members	Shared	By the Employer
Investment management	✓		
Investment transactions	✓		
Administration	✓		
Governance			✓
Communications		✓	

Basis for cost sharing: Members pay an annual management charge that covers the costs of investment management. Members also pay 0.25% per annum included in the annual management charges for administration and communication services carried out by the Scheme's administrator Legal & General.

The presentation of the charges and costs, together with the projections of the impact of charges and costs, takes into account the statutory guidance issued by the Department for Work and Pensions (DWP).

Charges

The charges quoted in this Statement are the funds' Total Expense Ratios ("TERs"). The TER consists of a fund's Annual Management Charge ("AMC") and Operating Costs and Expenses ("OCE"). OCEs include, for example, the fund's custodian costs. While the AMC is usually fixed, the OCE, and hence the TER, can vary slightly from day to day.

The investment-based charges borne by members include 0.25% p.a. towards the costs of the Scheme's administration. This fee was reduced from 0.3% on 1 June 2018, ensuing better Value for Members.

Transaction costs

The funds' transaction costs are in addition to the funds' TERs and can arise when:

The fund manager buys or sells part of a fund's portfolio of assets; or

The platform provider or fund manager buys or sells units in an underlying fund.

Transaction costs vary from day to day depending on where each fund is invested and stock market conditions at the time. Transaction costs can include: custodian fees on trades, stockbroker commissions and stamp duty (or other withholding taxes).

Transaction costs are deducted before the funds' unit prices are calculated. This means that transaction costs are not readily visible, but these costs will be reflected in a fund's investment performance.

The Financial Conduct Authority ("FCA") requires fund managers and providers to calculate transaction costs using the "slippage method", which compares the value of assets immediately before and after a transaction has taken place. This can give rise to negative transaction costs where favourable stock market movements during a transaction offset the rest of the trading costs (such as stockbroker commission).

The transaction costs shown in this statement are those taken from funds while members are invested in them. The transaction costs shown here do not include any costs members may incur from time to time when buying or selling units in the provider's funds caused by the fund manager's unit price for a fund moving from a "bid" to "offer" basis (or vice versa) or any other "dilution levy" when units in that fund are bought or sold to protect the value of the fund for other investors.

Member-borne charges and transaction costs

The charges and transaction costs have been supplied by the Scheme's investment providers.

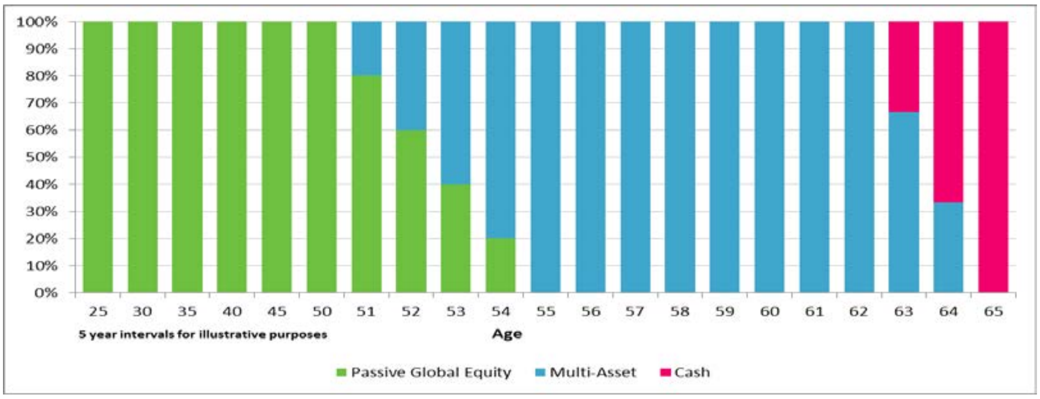
It was not possible to obtain the charges and transaction costs for some of the Defined Benefit Additional Voluntary Contribution Funds up to the 30 September. More details are given in "Missing Information" in section 8.

Default arrangements

Retirement Planner 15 Year Cash Lifestyle Default arrangement

The default arrangement is a "lifestyle strategy" which invests contributions in funds according to how far each member is from retirement. This means that the level of charges and transaction costs borne by members can vary from year to year depending on how close members are to their selected retirement age and in which fund they are invested at that time. The asset allocation at each point in time is shown in the chart below.

Asset Allocation for the Cash (Default) Lifestyle



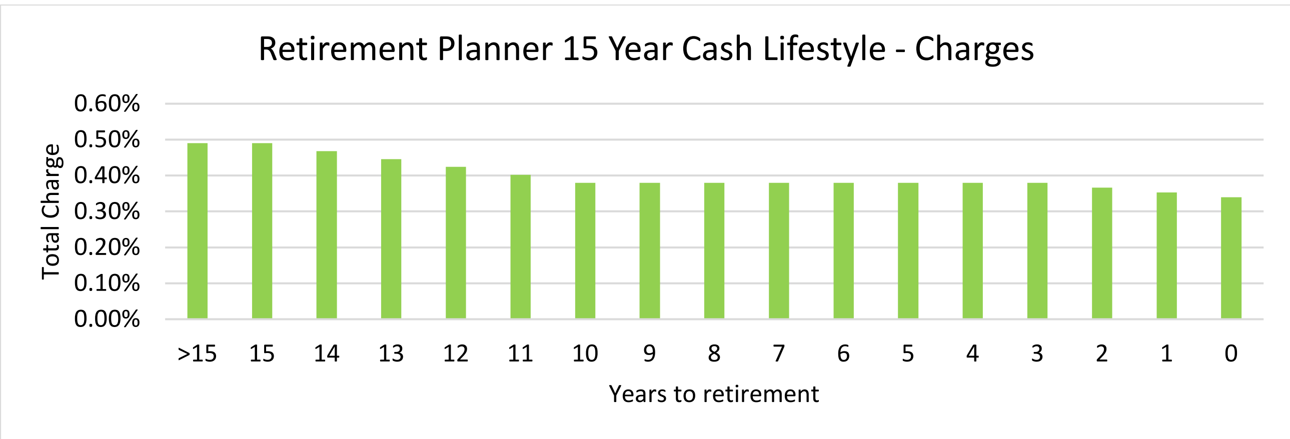
During the year covered by this Statement the total member borne charges for the default arrangement were in a range from 0.34% to 0.49% of the amount invested. or, put another way, in a range from £3.40 to £4.90 per £1,000 invested.

For the period covered by this Statement, the annualised charges and transaction costs are:

Period to retirement	**Charge**		**Transaction costs**	
	% p.a.	**£ per £1,000**	**% p.a.**	**£ per £1,000**
Over 15 years	0.49	4.90	0.05	0.50
3 to 10 years	0.38	3.80	0.04	0.40
2 years	0.37	3.70	0.03	0.30
1 years	0.35	3.50	0.01	0.10
At retirement	0.34	3.40	0.00	0.00

Source: Legal & General and Hymans Robertson

The following chart also shows graphically how these charges vary from year to year:



Over a 40-year saving period the average charge for the default arrangement was 0.45%. The table in Appendix 2a gives the charges and transaction costs for each fund used by the Retirement Planner 15 Year Cash Lifestyle(default) arrangement.

The following investment options are also considered to be “default arrangements” for some members:

- L&G Cash Fund, where regular contributions to the L&G Property Fund have been directed to as the during periods when the L&G Property Fund is suspended.

During the year covered by this Statement the member-borne charges for the L&G Cash Fund were 0.34% of the amount invested or, put another way, £3.40 per £1,000 invested.

The transaction costs borne by members in the Cash default arrangement during the year were 0.00% of the amount invested or, put another way, £0.00 per £1,000 invested.

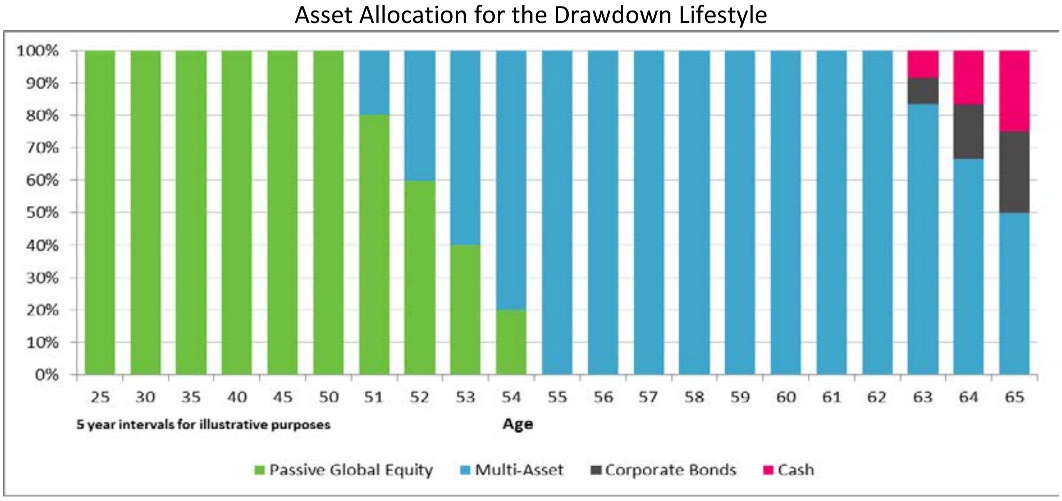
The Scheme is a qualifying scheme for auto-enrolment purposes and the member borne charges for the default arrangement complied with the charge cap during the year covered by this Statement. The charges are monitored by the Trustee Directors on a quarterly basis through the Legal & General administration reports and are tested against the charge cap.

Charges and transaction costs for the investment options outside the default arrangement

In addition to the default lifestyle, members also have the option to invest in two other lifestyles, targeting annuity purchase and drawdown and 17 self-select funds.

Retirement Planner 15 Year Drawdown Lifestyle

The Retirement Planner 15 Year Drawdown lifestyle option also invest contributions in different funds according to how far each member is from retirement. The charges borne by each member can also vary from one year to the next.



During the year covered by this Statement the member borne charges for the Drawdown lifestyle option were within the range from 0.37% to 0.49% p.a. of the amount invested put another way, in a range from £3.70 to £4.90 per £1,000 invested.

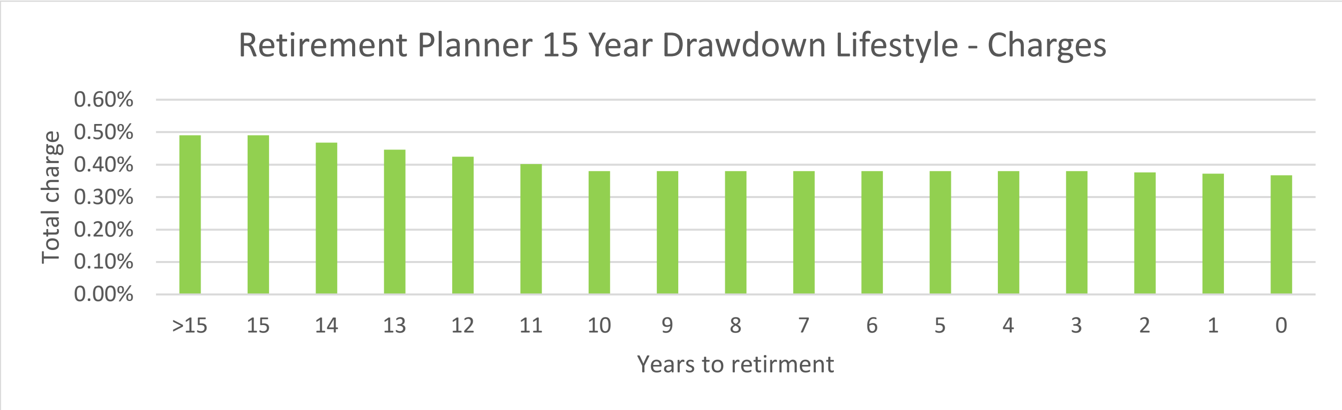
The transaction costs borne by members in the Retirement Planner 15 Year Drawdown lifestyle during the year were in a range from 0.02% to 0.05% of the amount invested or, put another way, in a range from £0.20 to £0.50 per £1,000 invested.

The annual charges for the Retirement Planner 15 Year Drawdown lifestyle option during the period covered by this Statement are:

Period to retirement	Charge		Transaction costs	
	% p.a.	£ per £1,000	% p.a.	£ per £1,000
Over 15 years	0.49	4.90	0.05	0.50
3 to 10 years	0.38	3.80	0.04	0.40
1 year	0.37	3.70	0.03	0.30
At retirement	0.37	3.70	0.02	0.20

Source: Legal & General and Hymans Robertson

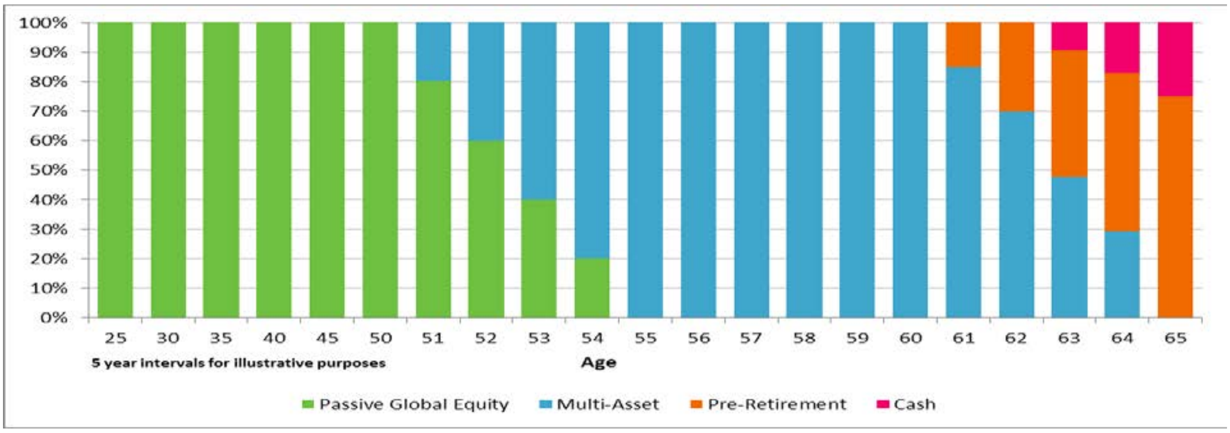
The following chart also shows graphically how these charges vary from year to year:



Over a 40-year saving period the average charge for the annuity lifestyle arrangement was 0.45%. The table in Appendix 2b gives the charges and transaction costs for each fund used in the Retirement Planner 15 Year Drawdown Lifestyle lifestyle option.

Retirement Planner 15 Year Annuity Lifestyle

Asset Allocation for the Annuity Lifestyle



During the year covered by this Statement the member borne charges for the Annuity lifestyle option were within the range from 0.36% to 0.49% p.a. of the amount invested put another way, in a range from £3.60 to £4.90 per £1,000 invested.

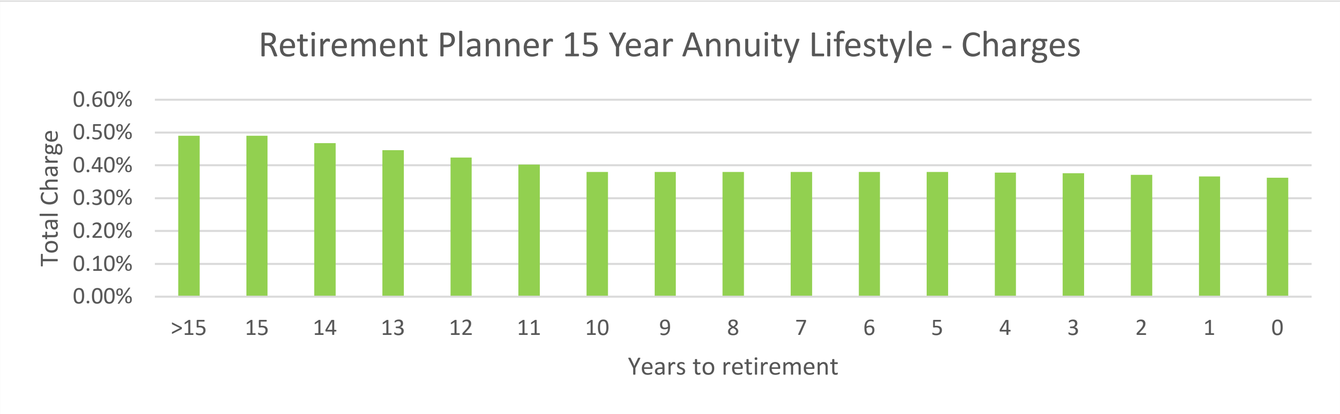
The transaction costs borne by members in the Retirement Planner 15 Year Annuity lifestyle during the year were in a range from 0.04% to 0.12% of the amount invested or, put another way, in a range from £0.40 to £1.20 per £1,000 invested.

The annual charges for the Retirement Planner 15 Year Annuity lifestyle option during the period covered by this Statement are:

Period to retirement	Charge		Transaction costs	
	% p.a.	**£ per £1,000**	**% p.a.**	**£ per £1,000**
Over 15 years	0.49	4.90	0.05	0.50
5 to 10 years	0.38	3.80	0.04	0.40
1 year	0.37	3.70	0.11	1.10
At retirement	0.36	3.60	0.12	1.20

Source: Legal & General and Hymans Robertson

The following chart also shows graphically how these charges vary from year to year:



Over a 40-year saving period the average charge for the annuity lifestyle arrangement was 0.45%. The table in Appendix 2b gives the charges and transaction costs for each fund used in the Retirement Planner 15 Year Annuity Lifestyle lifestyle option.

Self-select funds

The Scheme offers members a choice of 17 self-select funds.

During the year the charges for the self-select funds were in a range from 0.34% to 1.16% of the amount invested or, put another way, in a range from £3.40 to £11.60 per £1,000 invested.

The transaction costs borne by members in the self-select funds during the year were in a range from 0.0% to 0.26 % of the amount invested or, put another way, in a range from £0.00 to £2.60 per £1,000 invested.

The table in Appendix 2c details the charges for each self-select fund.

Additional Voluntary Contributions ("AVCs")

The Scheme offers members in the defined benefit section a choice of 11 AVC funds with Aviva for AVCs made during the year.

Charges for AVCs

During the year the total member borne charges for the AVC funds open to new contributions were in a range from 0.59% to 0.83% p.a. of the amount invested or, put another way, in a range from £5.90 to £8.30 per £1,000 invested. Aviva offered the Trustee Directors a reduction to the main scheme fee, from 0.65% to 0.59% with effect from May 2020.

Transaction costs for AVCs

The transaction costs borne by members in the AVC funds open to new contributions during the year were in a range from 0.00% to 0.39% of the amount invested or, put another way, in a range from £0.00 to £3.89 per £1,000 invested.

The table in Appendix 2c gives the charges and transaction costs for each AVC fund

Charges and transaction costs for legacy AVCs

Additionally, there are a number of legacy AVC arrangements closed to contributions which have not been reviewed for the purposes of this Statement. These have not been listed in the appendix as a proportionate approach has been taken. The Scheme's legacy AVCs are provided by the following managers:

- Aviva
- Equitable Life (assets transferred to Utmost with effect from 1 January 2020)
- Aegon

During the year the charges for the historic AVC funds held with Aviva were in a range from 0.59% to 1.51% p.a. of the amount invested or, put another way, in a range from £5.90 to £15.10 per £1,000 invested. During the year the charges for the historic AVC funds held with Aegon were in a range from 0.75% to 1.71% p.a. of the amount invested or, put another way, in a range from £7.50 to £17.10 per £1,000 invested. Please note, there is an additional rebate of 0.15% applied yearly to a member's policy where the fund value is greater than £50,000.

10 members had historic AVCs invested in With Profits Funds with Equitable Life. The charges and transaction costs for the With Profits Funds were deducted from the overall fund before bonus rates were set for all policyholders. As a result, the charges and costs were effectively averaged across all policyholders and it is not possible to determine the exact charges and costs borne by the members of our Scheme. It should be noted that the implicit costs and charges for the With Profits Funds cover the cost of guarantees and reserving as well as investment management and administration services. The Principles and Practices of Financial Management for the Equitable Life With Profits Fund stated that the administration and investment charges should average 1%. The With Profits Fund's average transaction costs are not disclosed. The guaranteed minimum investment return was 3.5% p.a.

Equitable's With Profits Fund (with its capital and 3.5% p.a. minimum return guarantees) closed at the end of 2019. In return a capital distribution from Equitable's reserves was given to policy holders increasing transfer values by 60 to 70% (compared to the previous 35% capital distribution). 10 members were affected by this transfer. Their funds in Equitable's With Profits Fund, together with the capital distribution, were paid into Utmost Secure Cash Fund on 1 January 2020. From 1 July 2020 these investments were transferred to the Utmost Money Market fund. Ultimately the Trustee Directors will transfer these funds into the Aviva default managed fund.

During the year the transaction costs for the historic AVC funds held with Aegon were in a range from 0.00% to 0.56% of the amount invested or, put another way, in a range from £0.00 to £5.60 per £1,000 invested.

From 1 October 2019 to 31 December 2019 the Scheme's With Profits were held with Equitable Life before the business closed and the members investment were transferred to Utmost. During the period 1 January 2020 to 30 September 2020 the transaction costs for the cash/money market funds held with Utmost were 0.00% of the amount invested or, put another way, £0.00 per £1,000 invested. Due to the closure of Equitable Life, the Trustees were unable to obtain the transactions costs for these historic AVCs from 1 October to 31 December.

Impact of costs and charges - illustration of charges and transaction costs

The Trustees have asked the Scheme's adviser to illustrate the impact over time of the costs and charges borne by members.

These illustrations show projected fund values in today's money before and after costs and charges for a typical member at stages from joining the Scheme at age 36 up to retirement.

The tables in Appendix 3 to this Statement show these figures for:

- The default arrangement for a member aged 36
- The default arrangement for a member aged 25
- Funds from the Scheme's self-select fund range representing funds that have
    - the highest annual member borne costs
    - the lower annual member borne costs
    - high performance volatility and low performance volatility.

As an example, for a member aged 36 in the default arrangement with 8% contribution, the level of charges seen in the last year would reduce the projected pot values at retirement in today's money from £72,881 to £66,448.

Appendix 3 also provides important notes of the assumptions used in calculating these illustrations. The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs. Please note that these illustrated values:

Are estimates using assumed rates of future investment returns and inflation which may not be borne out in practice;

The assumptions used may be differ in the future to reflect changes in regulatory requirements or investment conditions;

Will be affected by future, and as yet unknown, changes to the Scheme's investment options;

Are not guaranteed;

Depend upon how far members in the default lifestyle option are from retirement as the funds used change over time;

May not prove to be a good indication of how your own savings might grow;

Comply with the Technical Actuarial Standards (TAS) 100: Principles for Technical Actuarial Work.

4 Value for Members

Each year, with the help of their advisers, the Trustees carry out an assessment of whether the charges and transaction costs for the default arrangement and other investment options, which are borne in full or in part by members, represent good Value for Members. The Trustees also assessed the Scheme's overall value for money looking at all services members benefit from.

Value is not simply about low cost – the Trustees also consider the quality of the services which members pay for.

Approach

The Trustees adopted the following approach to assessing Value for Members for the last year:

Services – considered the investment, administration and communication services where members bear or share the costs and in addition considered the governance of the Scheme which is paid for by the Employer;

Outcomes – weighted each service according to its likely impact on outcomes for members at retirement;

Comparison – the cost and quality of each service were compared against similar schemes and available external comparisons;

Rating – each service was rated on the following basis:

Definition	Rating
The Trustees consider the Scheme offers excellent value for members, providing services within a top 20% quality/cost range compared with typical options for similar schemes.	**Excellent**
The Trustees consider the Scheme offers good value for members, providing services at better quality/cost compared with typical options for similar schemes.	**Good**
The Trustees consider the Scheme offers average value for members, providing similar services at similar quality/cost compared with typical options for similar schemes.	**Average**
The Trustees consider the Scheme offers below average value for members, providing similar services at higher cost or more limited services for similar cost compared with typical options for similar schemes.	**Below average**
The Trustees consider the Scheme offers poor value for members providing services, within the bottom 20% quality/cost range compared with typical options for similar schemes.	**Poor**

Results

The results were:

The Scheme gave <u>Good</u> Value for Members in respect of the services for which members bear or share the costs.

The Scheme gave <u>Good</u> Overall Value for Money taking into account the quality of all services to members.

The rationale for the rating of each service is as follows. Note the Value for Members assessment covers the services for which members bear or share the costs, which in this case excludes governance. The assessment of Overall Value includes governance and weights that component at 10%.

Service and weighting	Rating	Rationale
Investment 60% for Value for Member 50% for Overall Value	Good	The Trustees believe that the Scheme provides members with suitable investment options that offer the best potential for performance growth whilst minimising the charges incurred. Within the DC Scheme there are three lifestyle options available for members to select, depending upon their plans at retirement. The Cash target is still the most suitable default arrangement for the Scheme with around 96% of members invested in it. The default Strategy is under the 0.75% p.a. charge cap requirement whereby its fund charges range from 0.34% p.a. to a maximum of 0.49% p.a. giving an average charge of 0.45% over a 40-year saving period. The default's average charge is comparable with similarly sized schemes and with the DWP 2020 charges survey. The default's transaction costs over the period are also similar to those of comparable schemes. The DC Scheme offers members with 17 self-select funds covering a range of asset classes and investment styles such as property and ethical investing. Whilst not required, all self-select funds were also below the charge cap except for the L&G Property Fund, BNY Mellon Global Income Fund and Stewart Investors Asia Pacific Leaders Fund. The performance for the funds in the default relative to their respective benchmarks has been good over a 3- and 5-year annualised period. Within the self-select range, all passive funds have performed in line with their objectives while the performance of active funds have been mixed due to the unprecedented volatility in asset returns form the impact of the COVID-19 pandemic. The Trustee will continue to monitor each fund's performance, and replace funds which are not meeting expectations. The Growth phase of each of the Scheme's lifestyle strategies was restructured in April 2020 with the L&G Global Equity 30:70 Index Fund replaced by the L&G Future World Fund. This is due to the Trustee's belief that a fund with a greater focus on responsible and sustainable investment will deliver better risk-adjusted returns for members over the long term. The total transaction costs for the switch was a gain of around

		£23k (on approximately £31m of assets switched) due to favourable stock market movements over the transition period. **DB AVCs** The Scheme offers a range of active AVC funds with Aviva and a number of closed, legacy AVC funds with Aviva and Aegon. Given the small pot sizes for the legacy AVCs, the Trustees have prioritised the Value for Members assessment for the Scheme's current active AVC arrangements (i.e. those still receiving contributions). There are 11 active self-select AVCs which charge members 0.59% p.a. with the exception of the Aviva BlackRock Equity Fund which charges 0.83%. These charges are in line with typical self-select AVC arrangements. The default AVC option is the Aviva Managed Fund with the 5-year lifestyle option, which de-risks members to 25% Aviva Cash Fund and 75% Pre-Retirement Fund. The charges for this arrangement is 0.59% across the glidepath which is slightly lower than average when compared to typical AVC arrangements. The Trustees will review the appropriateness of the default as a 100% cash target may be a more suitable target given members are expected to take their AVC benefits as cash, although a potential change will depend on the options available on the Aviva platform. The transaction costs ranged from 0.00% p.a. to 0.05% p.a. which are comparable with those for similar funds used by other schemes. The performance of the Aviva Pre-Retirement Fund and the Aviva Cash Fund within the AVC default have not kept up with their benchmarks over a 5-year period. The Trustees will continue to monitor the AVC default and carry out a full review in 2021. In 2020, Aviva agreed to reduce the fee for the Scheme's funds from 0.65% to 0.59% which has improved value for members. The Trustees recognise the annual fee for the cash fund is still relatively high given current levels of interest rates and compared to a similarly managed cash fund within the main DC Section. This is not atypical for AVC cash funds, reflecting both the retrenchment of the AVC market and lower average contribution per head and consequently flat rate costs being a higher proportion meaning providers charge higher fees for AVC funds than would apply to comparable funds for main DC benefits. The transaction costs for the AVC funds ranges from 0.0% p.a. to 0.39% p.a. The transaction costs are comparable with those for similar funds used by other schemes. **Members pay for the investment of their assets as part of the funds' annual management charges.**
Administration	**Good**	The Trustees consider Legal & General to provide good administration services to the DC Scheme by demonstrating efficient processing of

20% for Value for Member 20% for Overall Value		core financial transactions, good record keeping and good quality administration support at an appropriate cost. The Trustees also believe that Legal & General have the administration systems capabilities and controls in place to meet regulatory compliance. The Trustees review quarterly administration reports covering service standards and member activity and have concluded that Legal & General, over the 12-month period, achieved 93%, slightly below the target service levels of 95%. However, the Trustees are satisfied that all core financial transactions were processed promptly and efficiently with 97% of these completed with 5 working days. There were no complaints in the year to 30 September 2020. The service standards have been compared against alternative providers and the Trustees believe that both the standards themselves, and performance against these, are satisfactory. Legal & General are accredited by the Pensions Administration Standards Association ("PASA") and hold a Standard and Poor's ('S&P') credit rating of AA indicating that they are financially sound. The Trustees continue to rate Legal & General positively as a DC platform provider although there are some minor concerns regarding the rate at which Legal & General have acquired new business over the past 3 years. The Trustees will continue to monitor the situation and consider this as part of their review of the provider in 2021. **Members pay a charge of 0.25% p.a. (on top of investment management charges and included in the overall charges) towards the communication and administration services provided by Legal & General. This will be reviewed as part of the review of Legal & General in 2021 and a wider review to explore the benefits of switching to a Master Trust arrangement.** The Scheme has appointed Aviva to provide Administration and Investment Services for the AVC range. There is a fee of 0.59% (or on one fund 0.88%) p.a. paid by all members for Aviva AVC funds which covers administration and communication as well as investment costs (some additional fees are payable on more specialist funds). The Trustees consider that the current fees are competitive against industry averages. The Trustees believe that Aviva's capabilities are in line with the broader marketplace for AVC arrangements. Standard and Poor's ('S&P') rating for Aviva is AA- indicating that they are financially sound. **Members pay for the investment of their assets via the funds' annual management charge of 0.59% p.a. and additional expenses for some specialist funds.**

Communication 20% for Value for Member 20% for Overall Value	Good	The Trustee Directors believe that good quality communications can help members make well informed decisions on their pension saving. Overall, investments are as assessed as offering good value. The Scheme provides easy-to-understand, relevant and timely communications to members through Legal & General's member dedicated website and an annual newsletter from the Trustee Directors. Legal & General provides good online functionality where members can access Scheme information and carry out certain transactions online. The Trustee Directors have taken various steps to promote Legal & General's online portal with around 34% of members now registered. Legal & General send members wake-up pack communications from age 50 and then every 5 years until retirement The first pack contains a summary of the member's plan including highlighting their current fund value, risk warnings and things they need to think about. The Wessex Water Pensions team also gives good quality support to members including providing induction sessions and pension clinics. All communications made directly from the Wessex Water pension team are paid for by the Company. **Members pay a charge of 0.25% p.a. (on top of investment management charges included in the overall charges) towards the communication and administration services provided by Legal & General.** The Trustees remind members about AVC benefits in their annual Trustee report and encourage members to get in touch with the Pensions Team if they need assistance. The Wessex Water Pensions team also gives good quality support to members through induction sessions and pension clinics during which they cover AVCs as well as other benefits. **All communications made directly from the Wessex Water pension team are paid for by the company.** Along with this the AVC providers send annual benefit statements to members and provide a website where members can access their fund values. Modellers are also available for members through Aviva. The Trustee Directors are comfortable with the level of communication provided by Aviva. **Members pay a charge of 0.59% p.a. (and additional expenses for some specialist funds) which includes cost of communication and administration services provided by Aviva.**
Governance 0% for Value for Member 10% for Overall Value	Good	The Trustees met every quarter during the last year to review to assess how the Scheme is progressing in line with its objectives and to establish and maintain procedures and controls to ensure the effectiveness and performance of the scheme and service providers. There is also a DC sub-committee which met twice in the last year.

		The Trustees perform an assessment against the features of the DC Code and will carry out the next assessment once the new Code has been published. The Chair of Trustees and other Trustees are independent Trustees who bring additional skills and experience to the Board. The Trustees undertake training to develop their knowledge of developments in the investment and pensions industry. The Trustees have undertaken 2 days training in the last year which covered the following topics: • Targets for members - PLSA UK Retirement Living Standards (28/11/2019) • Principles of good governance, implementation statements, ESG and voting (01/06/2020) In addition, the Trustees receive quarterly updates on the DC market and "hot topics" in DC investment to keep them informed of developments which would impact the members or provide opportunities to add value for them. The Trustees have appointed the required DC Investment Adviser in accordance with Section 47 Pensions Act 1995 and have reviewed effectiveness during the year as well as other suppliers and providers.

5 Administration

The Trustees appointed Legal and General to administer the Scheme on their behalf.

The Trustees monitored core financial transactions during the year including:

The receipt and investment of contributions (including inward transfers of funds);

Switches between investment options; and

Payments of benefits (including retirements and outward transfers of funds).

The Trustees have a service level agreement in place with Legal & General, which covers the accuracy and timeliness of all core financial transactions such as:

The investment of contributions;

Switching investment options;

Providing quotations of benefits to members who are retiring or leaving the Scheme;

Payments of benefits;

Producing annual benefit statements; and

Responding to ad hoc enquiries from members.

The Trustees have a service level agreement in place with Legal & General covering:

New Joiner and Contributions files and Cash Allocations are processed within 24 hours

Provision of Maturity pack, Quotation of benefits within 5 working days

Payments of benefits are made within 5 working days

Provision of Drawdown Quotation within 9 working days

Payment for benefits to a Drawdown arrangement within 10 working days

Provision of Transfer Value Quotation within 5 working days

Payment of Transfer Value within 5 working days

Provision of Leaver Option pack within 5 working days

Processing individuals transferring into the Scheme within 5 working days

Response to members enquiries within 5 working days

Provision of statements upon request within 5 working days

Processing of investment switches within 24 hours

Legal & General aim to ensure that 95% of all processes are completed within the defined SLA and provides the Trustees with quarterly governance reports which outline their performance against the SLAs.

The reports demonstrated that Legal & General, over the 12-month period, achieved 93%, slightly below the target service levels of 95%. However, the Trustees are satisfied that the majority of the core SLAs were processed promptly and efficiently with 97% of these completed with 5 working days. Breaches over the reporting period included:

- Provision of Maturity pack - 83% completed within 5 working days
- Provision of Transfer Value Quotation - 33% completed within 5 working days
- Response to members enquiries - 91% completed within 5 working days

The Trustees understand that the administrator monitors its performance against these service levels by:

Maintaining accreditation with the Pensions Administration Standards Association ("PASA");

Monitoring daily transactions;

Monitoring daily workflow items;

Regular internal audits of administration procedures;

Reviewing the level, causes and resolution of complaints

The Trustees monitored core financial transactions and administration service levels during the year by:

Checking that contributions deducted from members' earnings have been paid promptly to the Scheme by the Employer;

Receiving monthly quarterly from the administrator on the processing of financial transactions and other administration processes against the agreed service levels;

Considering the reasons for and resolution of any breaches of service standards;

Arranging reviews of data accuracy;

Reviewing the competitiveness of the service standards against other administrators/providers;

Receiving reports from the Scheme's Auditor, who independently tests sample transactions for accuracy and timeliness; and

Considering member feedback including any complaints.

The Scheme's administrators, Legal & General, have confirmed to the Trustees that there are adequate internal controls to ensure that core financial transactions relating to the Scheme are processed promptly and accurately.

The Trustees are satisfied that the service standards are competitive because:

The Trustees ask their advisers to compare service levels against other similar administrators once a year;

The Trustees conducted a review of Legal & General in 2018, when they were found to be competitive with other administrators.

While service standards fell short of the targets, particularly around March 2020 while Legal & General adjusted to staff working at home during the first lockdown, the Trustees are satisfied that during the year:

- Core financial transactions were processed accurately, promptly and efficiently;
- There have been no material administration errors in relation to processing core financial transactions; and
- The wider administration of the Scheme was to an acceptable standard.

The Trustees will conduct a review of Legal & General's administration service during the coming year.

For the AVC arrangement, the Trustees monitored core financial transactions and administration service levels during the year by:

- Reconciling AVC fund values over the Scheme year as part of the Reports and Accounts; and
- Reviewing the annual governance report provided by the AVC providers, which provide details on contributions paid in during the year.

Bulk transfer of assets

During the year there was a large-scale transfer between funds affecting a number of members as a result of the following changes to the Scheme's investment options:

Switching the L&G Global Equity Market Weights 30:70 Fund to the L&G Future World Fund

Moving members in the growth phase of the legacy annuity profile to the current annuity profile.

The Trustees reviewed the way in which the transfer was to be conducted and received reports on the transaction costs incurred during the transfer.

The transition costs and risks were mitigated as members assets were being moved from one equity fund to another rather than switching between funds in different asset classes. By moving within the same asset class the risk of large transition costs are somewhat minimised as the movement in unit prices were well correlated.

The transition resulted in a small gain of around £23k (rather than a cost) based on approximately £31m of assets being switched. The transition gain primarily arose from the unit price of the L&G Global Equity Market Weights 30:70 Fund moving to the higher 'Offer price' on sale leading to a gain.

The Trustees are satisfied that the bulk transfer was conducted efficiently to mitigate the costs and risks for members as far as practicable.

Security of assets

The situation regarding the security of where pension contributions are invested is complex. It can vary from scheme to scheme and from fund to fund within each scheme. To-date there have only been a few instances where members of Schemes such as ours have seen their benefits reduced as a result of a financial failure of a provider or fund manager.

The Trustees have reviewed the structure of the funds used within the default arrangement and other investment options within both the DC and AVC arrangements. The Trustees believe that the current structures are appropriate for members when compared to other possible structures.

The changes made by the Trustees to the investment options in the last year did not materially affect the security of assets.

The Trustee has received training on the security of members' assets and will continue to keep this under review. The Trustee takes the security of assets into account when selecting and monitoring the funds used by the Scheme.

6 Trustee knowledge

The Trustees are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively in accordance with Section 247 and 248 of the Pensions Act 2004 requires that each Trustee must:

Be conversant with the trust deed and rules of the Scheme, the Scheme's statement of investment principles and any other document recording policy for the time being adopted by the Trustees relating to the administration of the Scheme generally,

Have, to the degree that is appropriate for the purposes of enabling the individual to properly to exercise his or her functions as trustee, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment the assets of occupational pension schemes.

The Trustees have measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

The Trustees' current practice to maintain and develop their level of knowledge and understanding of matters relating to the Scheme are:

There is an induction process for newly appointed Trustee Directors, who are asked to complete the Pensions Regulator's "Trustee Toolkit" within 6 months of becoming a Trustee Director;

Training is provided to ensure that Trustee Directors maintain a working knowledge of the Scheme's Trust Deed and Rules. All new Trustee Directors are taken through important documents and policies by the Scheme secretary when they join the board. Existing Trustees review the Trust Deed and Rules when amendments take place;

Trustees are expected to have a working knowledge the Scheme's Statement of Investment Principles as well as the investment concepts and principles relevant to the Scheme, contract documents in relation to administration of the Scheme and the law and legislation relating to pension schemes and trusts;

Trustees are encouraged to undertake further study and qualifications which support their work as Trustees;

The Trustees have a plan in place for ongoing training appropriate to their duties which is monitored by the Pensions team;

The effectiveness of these practices and the training received are reviewed annually;

The Trustees also receive quarterly “hot topics” from their DC Investment Adviser covering technical and legislative/regulatory changes affecting defined contribution (and additional voluntary contribution) schemes in general.

The Trustees, with the help of their advisers, regularly considers training requirements to identify any knowledge gaps. The Trustees’ DC Investment Adviser raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustees’ advisers typically deliver training on such matters at Trustee meetings if they are material.

All the Trustees have access to copies of and are familiar with the current governing documentation for the Scheme, including the Trust Deed & Rules (together with any amendments) and Statement of Investment Principles (“SIP”). The Trustees refer to the Trust Deed and Rules as part of deciding to make any changes to the Scheme, and the SIP is formally reviewed at least every three years and as part of making any change to the Scheme’s investments.

All the Trustees (with the exception of 2 new appointments made in September 2020) have all fully completed the Pensions Regulator’s Trustee Toolkit (the Trustee Toolkit is a free online learning programme from The Pensions Regulator aimed at trustees of occupational pension schemes and designed to help trustees meet the minimum level of knowledge and understanding required by law). A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date. The Scheme has a structured induction process for new Trustee Directors and requires them to complete the Pensions Regulator’s “Trustee Toolkit” within 6 months of becoming a Trustee Director.

During the period covered by this Statement, the Trustees received training on the following topics:

Date	**Topic**	**Aim/benefit**	**Trainer**
28 November 2019	Targets for members PLSA UK Retirement Living Standards	To keep informed of developments which would impact the members or provide opportunities to add value for them. Members know that the Trustee Directors are up to speed with industry developments and can make use of the latest developments where appropriate for the Scheme.	Hymans Robertson
1 June 2020	Governance	Principles of good governance, implementation statements, ESG and voting	Hymans Robertson
Quarterly	Quarterly Governance update	The Trustee Directors receive quarterly updates on the DC market and “hot topics” in DC investment to keep them informed of developments which would impact the members or provide opportunities to add value for them. This covers aspects in relation to both the Scheme’s DC section and AVC arrangement	Hymans Robertson

The Trustees have appointed suitably qualified and experienced actuaries, legal advisers, DC Investment Consultants and benefit consultants to provide advice on the operation of the Scheme in accordance with its Trust Deed and Rules, legislation and regulatory guidance.

The Trustees review the effectiveness of its advisers annually and periodically reviews the appointment of its advisers.

All advisers were reviewed by the Trustee Directors as part of the GDPR process which began in February 2018 and were considered to meet the Trustee Directors' requirements for quality and value for money. The review concluded in May 2018 with no actions deemed necessary.

The Trustees are satisfied that during the last year they have:

a) Taken effective steps to maintain and develop their knowledge and understanding; and

b) Ensured they received suitable advice.

The Trustees are satisfied that the combination of their knowledge and understanding together with access to suitable advice enabled them to properly exercise their duties during period covered by this Statement.

7 Our plans for the next year

In the coming year (which will be covered by the next Statement), the Trustees intend to carry out the following:

A project to explore whether a master trust arrangement would provide better value for money for members;

A high-level review of Legal & General as the Scheme's DC platform provider;

Complete training on at- and post-retirement market and other emerging DC issues;

Review and amend as appropriate the Statement of Investment Principles;

If appropriate review the new PLSA targets and consider how these could apply to the Scheme.

The Trustees believe that this work will help you get the best out of our Scheme.

Missing information and limitations

The Trustee Directors have been unable to obtain information on:

The transaction costs for three of the AVC funds held with Aviva for the period covered by this Statement. The Trustees have received transaction costs for the period 30 June 2019 to 30 June 2020.

Aviva have not been able to provide transactions costs for three AVC funds; Pension Kames High Yield Bond, Pension Property fund and Pension UK Smaller Companies fund. Aviva have advised that the required underlying information they need to calculate the transaction costs is not available.

This means that some information is missing for the 12-month Scheme year period covered by this statement. For the purposes of this statement (including the requirement for the Trustee to calculate, so far as they are able to do so, transaction costs and to assess the extent to which those costs represent good value to members), the transaction costs stated are for the 12 months period supplied by providers (as referred to immediately above), without adjustment. The following steps are being taken to obtain the missing information for the future:

The Trustee Directors have requested full information on transaction costs from Aviva. However, Aviva have been unable to provide full information and figures for inclusion in this year's Statement.

The Trustee Directors will monitor Aviva's progress on implementing the FCA rules on transaction cost disclosure.

The Trustee Directors will continue to seek the relevant missing information from providers, by making email requests at least quarterly.

The Trustee also notes the following limitations:

The Trustee acknowledges that at this point, limited data is available on industry-wide comparisons and has relied heavily on the market knowledge of its advisers; and

There is limited transaction costs data available to provide industry-wide comparisons.

The Trustees understands that these issues currently affect many pension schemes and pension providers. The amount of comparative information available should improve over the next few years.

Appendix

Appendix 1a - DC Section Statement of Investment Principles

Introduction

This document is a compendium of the Statements of Investment Principles for the Wessex Water Pension Scheme (Defined Contribution Section) (the "Scheme"). The Scheme is a defined contribution (DC) pension arrangement and is a qualifying scheme for auto-enrolment purposes.

The law requires the Trustees to produce formal "Statement of Investment Principles" for the Scheme'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.

These Statements must cover a number of technical points in order to comply with legislation as well as meet the expectations of the Pensions Regulator and needs of the Scheme's Auditors, which we have as far as possible shown separately in "for the record" boxes.

The Trustees have obtained written advice on the content of this Statement from Hymans Robertson LLP ("Hymans"), the Scheme's DC Investment Consultant.

The Trustees will review this Statement at least every three years and without delay after any significant change in investment policy or demographic profile of the Scheme's membership. The Trustees will consult with the Principal Employer and take written advice when revising this Statement.

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

1. Statement of the aims and objectives for the default arrangement*;
2. Statement of the aims and objectives for investment options outside the default arrangement*;
3. Statement of investment beliefs, risks and policies**.

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

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

Appendices

A. Responsibilities;

B. Service providers;

C. Investment options;

D. Fees and Charges; and

E. Investment Beliefs

Appendix 1a - DC Section Statement of Investment Principles

For the record

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

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

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

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

Statement of investment beliefs, risks and policies

This Statement sets out the general 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 Scheme and the default arrangement.

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 default strategy and alternative lifestyle strategies invest 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 a member's selected retirement date lead to an increase in the cost of turning members' fund values into retirement benefits.

For members planning to take cash at retirement, the Retirement Planner 15 Year Cash Lifestyle strategy (default arrangement) switches into a cash fund during the de-risking phase, providing a high degree of (but not complete) capital security.

For members planning to use income drawdown during their retirement, the Retirement Planner 15 Year Drawdown Lifestyle switches into funds during the de-risking phase that invest in a lower volatility portfolio of assets (than in the growth phase) which are broadly suitable for income drawdown.

For members planning to buy an annuity at retirement, the Retirement Planner 15 Year Annuity Lifestyle strategy de-risks into funds investing in longer-dated bonds, which may be expected to broadly follow movements in annuity rates caused by interest rate changes as retirement approaches.

The latter two strategies retain 25% in cash at the point of retirement as members are expected to access their maximum allowable tax free cash lump sum.

Appendix 1a - DC Section Statement of Investment Principles

Volatility/Market risk – The risk that movements in investment market values in the period prior to a member's retirement date lead to a reduction in the anticipated level of benefits.

For members approaching retirement, the default strategy and alternative lifestyle strategies increasingly invest 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 platform provider manage counterparty risk by investing in pooled funds that offer suitable counterparty protection.

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. The Trustees regularly monitor fund performance in order to mitigate this risk.

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 quickly if required. Member communications will warn members where funds, such as those investing in property, may occasionally impose constraints on liquidity.

Inappropriate benchmarks for passive funds – different types of index funds have different characteristics. Some forms of passive investing may outperform others over the longer term (e.g. factor-based v market-cap based investing), 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.

Managing investment risks
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 default strategy and alternative lifestyle strategies, which automatically move members from higher risk investments to lower risk investments as they approach retirement. The Trustees believe that the investment strategies available are appropriate for managing these risks.

The Trustees have considered the impact of climate change on members' investments within the development or implementation of its default investment strategy. **The Trustees have made the decision to switch to using an ESG focused fund within the "growth phase" of the default option (i.e. strategy when members are greater than 15 years from retirement)**. The fund includes a "climate tilt" which increases the fund's exposure to companies which are well positioned to perform well in a low-carbon environment. The Trustees expect the managers of the Scheme's other actively managed funds to take ESG and climate risks into account when selecting securities and, as stakeholders, engage with companies who may be affected.

The Trustees discuss the potential impact of climate risks with its DC Investment Consultant and managers on a periodic basis and will continue to monitor developments in this area.

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 Scheme's investment options.

Implementation

The Scheme uses standard pooled funds offered by fund managers through the platform provider. 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 Scheme. The Trustees nevertheless seek to manage financially material considerations to protect long-term returns by:

- 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 are satisfied that the fund managers follow an approach which takes account of financially material factors;
- For actively managed funds (where the fund manager decides where to invest), expect 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, encourage 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.

Expected returns on investments:

The expected returns on the principal asset classes and fund types within the Scheme are:

Appendix 1a - DC Section Statement of Investment Principles

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.

Property – should achieve a positive return relative to inflation over the longer-term which is lower than that for equities, but with a lower level of shorter-term volatility than equities.

Multi-asset and Diversified Growth Funds – invest in a varying mix of asset classes with an objective of delivering a target level of positive returns relative to inflation over the longer-term, with a target level of shorter-term volatility lower than equities.

Corporate Bonds – should achieve a positive return relative to inflation over the longer-term which is lower than that for equities and property, but with a lower level of shorter-term volatility than equities or property.

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

Fixed Interest Government Bonds (Gilts) – should deliver a positive return relative to inflation over the longer-term which is lower than that of equities, property and corporate bonds, but with a lower level of shorter-term volatility than equities, property and corporate bonds.

Index-linked Government Bonds (Index-Linked Gilts) – should deliver a return in line with inflation over the longer-term, but with a lower level of shorter-term absolute volatility than equities, property and corporate bonds.

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;

The Trustees are satisfied that the return objectives are consistent with the aims of members.

Investment beliefs

The Scheme's investment beliefs are set out in Appendix E. These provide a set of overriding principles by which the Trustees make investment decisions. The beliefs adopted by the Trustees are high level, but their interpretation has a meaningful impact on the way the Scheme's investment strategy is devised and implemented.

Investments held

The Scheme invests through pooled investment vehicles considered appropriate for tax-exempt approved occupational pension schemes. These funds may invest in:

- Quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index-linked bonds, cash, commercial and residential property;
- Infrastructure and Commodities through collective investment vehicles;
- Exchange Traded Funds to gain access to less easily traded and illiquid asset classes; and
- Derivatives to facilitate changes in the fund's portfolio of assets or help mitigate investment risks or to enhance investment returns.

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The funds used are provided through an insurance company based investment platform and so must comply with the FCA's "Permitted Links" rules, which place limits on the degree of leverage which a fund can use.

The default strategy and alternative lifestyle strategies use funds across asset classes and across the risk/reward spectrum. The self-select fund range 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. Some asset classes or investment approaches (such as property, cash and diversified growth strategies) are only available as actively managed funds.

The Trustees consider that all of the stated asset classes are suitable investments for the Scheme, while the use of pooled funds enables a balance of investments to be held at a security level within each asset class or fund.

Realisation of investments:

Funds need to be sold to make payments of benefits and to undertake fund switches either in accordance with the lifestyle strategies or as requested by individual members. The Trustees normally expect the platform provider to be able to realise the Scheme's funds within a reasonable timescale. The Trustees recognise that the investment managers may at times need to impose retrictions on the timing of purchases and sales of funds (most notably investing in property) in some market conditions to protect the interests of all investors in a fund.

Diversification

Given the size and nature of the Scheme, the Trustees invest on a pooled fund basis, which is undertaken through a platform provider. 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 Scheme provide adequate diversification within and across asset classes.

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 default arrangement which manages the principal investment risks members face during their membership of the Scheme. The default arrangement is therefore a lifestyle strategy which the Trustees believe is broadly appropriate to the needs of a majority of the membership.

Appendix 1a - DC Section Statement of Investment Principles

Member benefit choices at retirement

Members have a choice at retirement of:

- Taking cash at retirement;
- Taking Uncrystallised Funds Pension Lump Sums ("UFPLS");
- Using Flexible Access Income Drawdown ("FAD") during their retirement; or
- Buying an annuity at retirement or several years into their retirement.
- A combination of the above options

The Trustees have considered which of these flexibilities will be offered to members. Currently cash and UFPLS are provided within the Scheme, but members wanting to purchase an annuity or use FAD need to transfer their DC Pot to a suitable arrangement outside the Scheme.

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

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

In practice, the Trustees can only reliably take the likely size of members' DC Pots in the Scheme into account in designing the investment strategy. The Trustees believe that a typical member, without significant sources of income outside the Scheme, could be expected to act mostly as follows:

- Small pots – would be taken as cash or UFPLS.
- Medium sized pots – would be taken as UFPLS or an annuity at retirement.
- Larger pots – would be taken partly as cash at retirement and the remainder by flexi-access drawdown during retirement (although some may use part of their DC Pot to buy an annuity at, or some years into, retirement).

Appendix 1a - DC Section Statement of Investment Principles

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

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 investment option.

The funds used at each stage of the default option and the alternative lifestyle options 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; Infrastructure and 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.

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 Scheme. The Trustees are satisfied that the funds used by the Scheme provide adequate diversification both within and across different asset classes.

Appendix 1a - DC Section Statement of Investment Principles

Investment Objectives

Overall objectives

The Trustees' overall objective is to invest contributions in the best interests of members and their beneficiaries.

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.

Default strategy

Reasons for default strategy

The Scheme has a default strategy 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 Scheme is a qualifying scheme for auto-enrolment purposes and is required by Regulations to have a default strategy;
- The Trustees believe that the presence of an effective default strategy will help deliver good outcomes for members at and into retirement.

In choosing what is felt to be an appropriate default arrangement, the Trustees have taken into account a number of factors including: members' projected pot sizes at retirement, contribution levels and the likely return on investment after the deduction of charges payable on the funds used by the default arrangement. The most recent review showed that the majority of members retiring in the next few years are expected to have small DC pots at retirement (< £30k).

Based on this analysis, the Trustees believe that most members will want to take their retirement benefits as cash at retirement.

Following the most recent review, the Trustees have revised the investment structure of the default arrangement by switching the passive market cap equity fund within the "growth phase" (> 15 years to retirement) to a factor-based equity fund with an ESG overlay. This was implemented in April 2020.

A high level review of the default strategy is conducted by the Trustees annually, with a formal review every three years or following significant changes to governance requirements. The next formal review is due in 2021.

Objectives of the default arrangement

The main objective of the default arrangement is to help members achieve good outcomes at retirement, 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 a lifestyle strategy is an appropriate default arrangement. The principal objectives of the default investment strategy are:

Appendix 1a - DC Section Statement of Investment Principles

- To manage the principal investment risks faced by an average member during their membership of the Scheme.
- To target the majority of members who, in the case of the Scheme, are expected to take 100% cash at their selected retirement date.
- To invest in funds which are expected over the long-term to deliver strong returns relative to inflation for members over 15 years from retirement.
- During the last 3 years before retirement, to increasingly invest in lower risk funds which are expected to help mitigate fluctuations in the sizes of both members' fund values and the benefits members are likely to take at retirement.

The default strategy invests in a factor-based global equity fund in the "growth" phase with the aim of achieving better long term risk-adjusted returns whilst continuing to grow members assets in real terms when they are many years from retirement. The Trustees believe that factor-based investing will generate higher long-term risk-adjusted returns than tracking a traditional market-capitalisation based index. The factor-based fund which will be used includes an ESG overlay which tilts the fund to companies that will perform better in a low-carbon economy.

The default investment strategy then begins to de-risk members' assets into a multi-asset fund from 15 years from a member's selected retirement date. Finally, three years from a member's selected retirement date, the strategy gradually de-risks into 100% cash. Full details of the default strategy are provided in Appendix C.

Investment options

In addition to the default investment strategy, the Trustees believe that the following investment options are appropriate to achieve the overall objectives of the Scheme:

Alternative lifestyle strategies

Alternative lifestyle strategies are offered for those members who do not want to take their benefits as 100% in cash at the point of retirement but wish to delegate the management of their investments (including the de-risking strategy).

The alternative lifestyle strategies are designed to invest at the point of retirement in assets which are most closely matched to members' requirements after retirement.

The annuity purchase lifestyle strategy invests in passively managed global equities in the "growth" phase and begins to de-risk gradually into a multi-asset fund 15 years from a member's selected retirement date. Finally, five years from retirement, the strategy de-risks to a final position of 75% in bonds and 25% cash.

The income drawdown strategy invests in passively managed global equities in the "growth" phase and begins to de-risk gradually into a multi-asset fund 15 years from a member's selected retirement date. Finally, three years from retirement, the strategy de-risks into corporate bonds and cash so that at the point of retirement a member's assets are invested 50% in the multi-asset fund, 25% in corporate bonds and 25% in cash.

Self-select funds

The self-select fund range is provided for members who want to take an active part in choosing where their DC savings are invested and complements the default strategy and the alternative lifestyle strategies. The self-select fund range covers a broad spectrum of investment risk levels and investment approaches, so that members can tailor the investment of their DC Pot more closely to their personal needs and attitude to risk – although it cannot be expected to cover all the investment needs of all members.

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

Inadvertent or temporary Default Arrangements

From time to time the platform provider or fund manager may suspend trading in a fund due to market conditions or decide to close a fund commercial or regulatory reasons. This would be outside the Trustees' control.

Should these circumstances occur, it may be necessary for the Trustees to redirect contributions to an investment option which differs from some members' original choice. The Trustees will ensure that any alternative investment option adopted in this manner is consistent with the charge cap for default arrangements.

For example, in the event that buying or selling units in a fund chosen by members is suspended for any reason, the Trustees may decide that it is in the members' best interests to temporarily redirect contributions to another investment option. Once such as suspension has been resolved, the Trustees will arrange for the re-investment of contributions into the investment option originally chosen by members.

In all such circumstances, the Trustees and/or platform provider will notify members of the issue and steps being taken to resolve it. Where necessary, these will be described in the separate investment implementation document.

For the record

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

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

Appendix 1a - DC Section Statement of Investment Principles

Governance

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 have established a DC sub-committee to consider investment and other decisions for the DC section. The DC sub-committee is formed by the Trustees and makes recommendations to the Trustee board. Currently the DC Committee has no delegated powers of decision making.

Responsibilities

The key responsibilities in connection with the governance of the Scheme are:

The Employer is responsible for paying the contributions and for providing support to the Trustees to help govern the Scheme.

The Trustees are responsible for the appointment, monitoring and dismissal of the investment platform provider and investment managers. Having taken advice from the Scheme's DC Investment Consultant, the Trustees are satisfied that the appointed platform provider has sufficient experience and expertise to carry out their role.

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.

The funds are accessed through an investment platform provider. The **Platform Provider** is responsible for investing contributions with the selected fund managers while ensuring that the funds are priced correctly, maintaining sufficient liquidity and meeting regulatory requirements. The fund managers are responsible for the day-to-day investment management of the funds' assets.

The Custodians are appointed by the investment managers and are responsible for the safekeeping of the assets of the funds and processing the settlement of transactions.

The role of the **DC Investment Consultant** is to give advice to the Trustees on the development of a clear investment strategy for the Scheme including the default investment strategy, alternative strategies and the self-select fund range. The DC Investment Consultant provides general advice in respect of the Scheme's investment activities, including the construction of an overall investment management structure and fund offering that meets the objectives of the Trustees. It also provides views on the investment managers used by the Scheme and assists the Trustees in the selection and appointment of appropriate investment managers when necessary.

Members are responsible for choosing the investment options in which their contributions are invested, consistent with their tolerance of risk, likely benefits at retirement 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 responsibilities are described in greater detail in Appendix A.

Conflicts of interest

The Trustees maintain a register of interests of each of the Trustees 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 interests, the Trustees will need to ensure that contributions for the default option are invested in the sole interests of members and beneficiaries.

Communication

The Trustees communicate regularly with all stakeholders to ensure that they are aware of the Trustees' responsibilities in relation to investment. This includes the following:

- Consulting the Principal Employer on the content of this Statement;
- Providing communications to Scheme 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 platform provider, DC Investment Consultant, investment managers and the administrator;
- Providing a range of literature to assist members in making their investment decisions. In addition, members should be provided access to factsheets for each fund showing the latest asset allocation and past performance.

Service Providers

Details of the current service providers and investment managers to the Scheme are set out in Appendix B to this Statement.

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 reassurance agreements/unit purchase agreements/segregated investment mandates. 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.

Fees

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

Appendix 1a - DC Section Statement of Investment Principles

Monitoring

Investment Performance

The Trustees regularly review the performance and ongoing suitability of each fund in which the Scheme invests against a series of metrics on a quarterly basis over a long-term time horizon including:

- Performance 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.. To aid ongoing monitoring, the Trustees receive an independent investment performance monitoring report from its Investment Consultant on a quarterly basis.

Default arrangement

The Trustees monitor the suitability of the objectives for the default strategy and the performance (after the deduction of charges) of this strategy against these objectives at least every three years and without delay after any significant change in: (i) investment policy; or (ii) the demographic profile of the membership.

Alternative lifestyle strategies

The Trustees monitor the suitability of the objectives for the alternative lifestyle strategies and the performance (after the deduction of charges) of these strategies against these objectives at least every three years and without delay after any significant change in: (i) investment policy; or (ii) the demographic profile of the membership.

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 on a regular basis to ensure that they represent "value for money" relative to the needs of the membership.

The Scheme is a qualifying scheme for auto-enrolment purposes. The Trustees monitor the compliance of the default strategy with the charge cap introduced by the Pensions Act 2014, which applies from September 2013.

The default strategy's compliance with the charge cap is monitored on a regular basis on the prospective basis.

Information on the charges levied on funds is provided in the platform provider's quarterly administration reports.

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

Appendix 1a - DC Section Statement of Investment Principles

Transaction costs

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

Investment process

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

Chair's statement

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

Stewardship

Members' financial interests

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

The Trustees' stewardship activities are to be focused on the default arrangement which accounts for the majority of the DC assets.

Responsible Investment

The Scheme uses standard funds offered by investment platform providers and fund managers. The platform provider and investment managers may take social, environmental or ethical considerations into account only when these factors do not conflict with the financial interests of members. It is the Trustees' belief that companies with a strong Environmental, Social and Governance ("ESG") policy are expected to outperform those with weaker or no ESG policy, over the longer term and regularly explore whether this belief should be reflected specifically within the Scheme's investment strategy.

The Trustees periodically review the investment managers' ESG policies but do not ordinarily seek to screen or intervene in the managers' decisions.

Non-financial factors

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

However, the Trustees note that a large majority of 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, at this stage, they will not formally seek members views on non-financial factors relating to the Scheme's investments but will seek anecdotal feedback from the Pensions Team through their regular contact with members. On this basis, the Trustees will take into account what, in their reasonable opinion, members' views of non-financial factors are likely to be.

The Trustees offer an ethical investment option for those members who wish to reflect ethical considerations in the investment of their contributions.

Appendix 1a - DC Section Statement of Investment Principles

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.

Investment 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 Scheme's investment objectives.

Voting and Engagement

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

The Scheme 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 managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

The Trustees will periodically review the voting and engagement policies of the fund managers as well as the approach to governance of the investment platform provider to determine that these policies are appropriate.

Where appropriate, the Trustees will engage with and may seek further information from the investment platform provider and / or 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 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 will request, where appropriate and practicable, that the platform provider or 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.

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 will consider the platform provider's practices on the oversight of and engagement with the investment managers when reviewing the appointment of the platform provider.

Monitoring

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 receive reports from the investment platform provider on the fund managers' voting activity on a periodic basis.

The Trustees review the fund managers' voting activity at least annually 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. Managers are challenged both directly by the Trustees and by their DC Investment Consultant on the impact of any significant issues including ESG matters that may affect the prospects for return from the portfolio.

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.

When selecting funds, the Trustees will ask their investment advisor to consider the investment managers' remuneration strategies and appropriateness of each fund's investment guidelines to ensure that there is no inducement or scope to take an undue level of risk and that the investment managers will act in line with the interests of the Scheme's members.

In accordance with the 2015 Regulations, the Trustees conduct an annual Value for Members assessment and will take action should the provider be found to be giving poor value. In addition, in accordance with guidance from the Pensions Regulator, the Trustees will periodically review the Scheme'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.

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 DC Investment Consultant, 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 Scheme's reporting year.

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.

Appendix 1a - DC Section Statement of Investment Principles

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 Scheme members' investment horizon. The Trustee 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 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.

Review of Statement

This Statement of Investment Principles was completed in September 2020. It will be next reviewed no later than 2023, or if there has been significant change to the investment policy or characteristics of the membership.

Appendix 1a - DC Section Statement of Investment Principles

Appendix A – Responsibilities

Trustees

The Trustees' primary investment responsibilities include:

- Operating the Scheme in accordance with its Trust Deed and Rules.
- Ensuring that the investment options are suitable for the Scheme's membership profile.
- Preparation of the Statement of Investment Principles and reviewing the content of the Statement and modifying it if deemed appropriate, in consultation with the Principal Employer.
- Appointing the DC Investment Consultant and other advisors as necessary for the good stewardship of the Scheme.
- Appointing the platform provider who invest the Scheme's assets.
- Assessing the performance, charges and processes of the platform provider and underlying investment managers by means of regular, but not less than annual, reviews of investment performance and other information, supported by the DC Investment Consultant.
- 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.

DC Investment Consultant

The DC Investment Consultant's main responsibilities include:

- Assisting the Trustees in the preparation and annual review of this Statement in consultation with the Principal Employer.
- Providing the Trustees with quarterly reports including commentary on any changes to funds' 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 Scheme's investment managers.
- Providing training or education on any investment related matter as and when the Trustees see fit.

Platform Provider/Investment Managers

All day-to-day investment management decisions have been delegated to the platform provider and Investment Managers authorised under the Financial Services & Markets Act 2000.

The platform provider's/investment managers' main responsibilities include:

- Ensuring that investment of the Scheme's assets is in compliance with prevailing legislation and within the constraints detailed in this Statement.
- Investing in the funds selected by the Trustees.
- Attending meetings with the Trustees as and when required.

- Informing the Trustees of any changes in the internal performance objective and guidelines of any pooled funds used by the Scheme as and when they occur.
- Exercising voting rights on share holdings in accordance with their general policy.
- Following its general policy on socially responsible investment.

Custodian

The custody arrangements are those operated by the investment managers for all clients investing in their funds. The custodians are responsible for ensuring the security of the Funds' underlying assets and recording sales and purchases of the Funds' underlying assets.

Appendix B – Service providers

The Trustees have appointed the following service providers:

DC Investment Consultant

The DC Investment Consultant is Hymans Robertson LLP.

Platform Provider

The investment platform through which the investment options are operated is provided by Legal & General Assurance Society ('LGAS').

Investment Managers

The Scheme's investment managers (accessed through the investment platform) are:

- Legal & General Investment Management ("L&G")
- Newton Investment Management Limited
- Stewart Investors (part of First State Investments)

Custodians

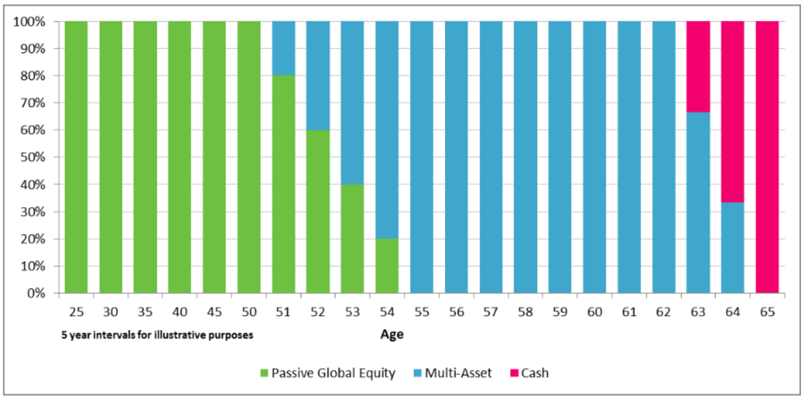
The Funds' custodians are appointed by the investment managers.

Appendix C – Investment options

Default arrangement

Retirement Planner 15 Year Cash Lifestyle

This strategy builds up to a 100% allocation in cash in the immediate run-up to retirement. Currently the strategy invests in passively managed global equities in the "growth" phase and begins to de-risk into a multi-asset fund 15 years from a member's selected retirement date. Finally, three years from retirement, the strategy de-risks into cash.

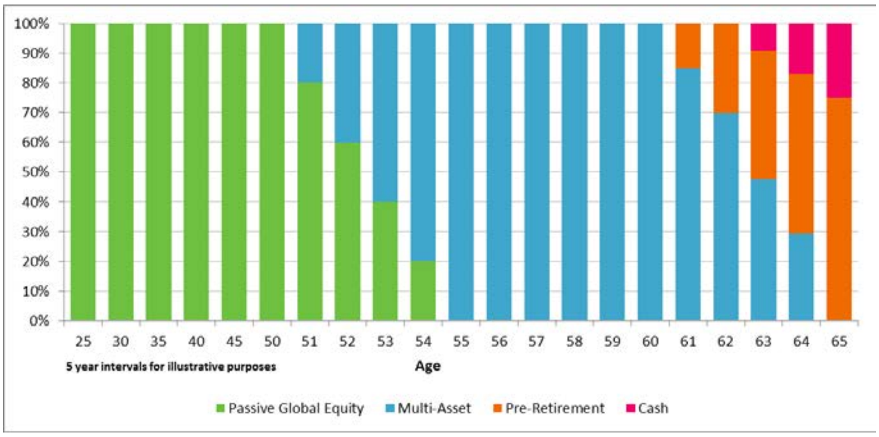


Appendix 1a - DC Section Statement of Investment Principles

Alternative lifestyle strategies

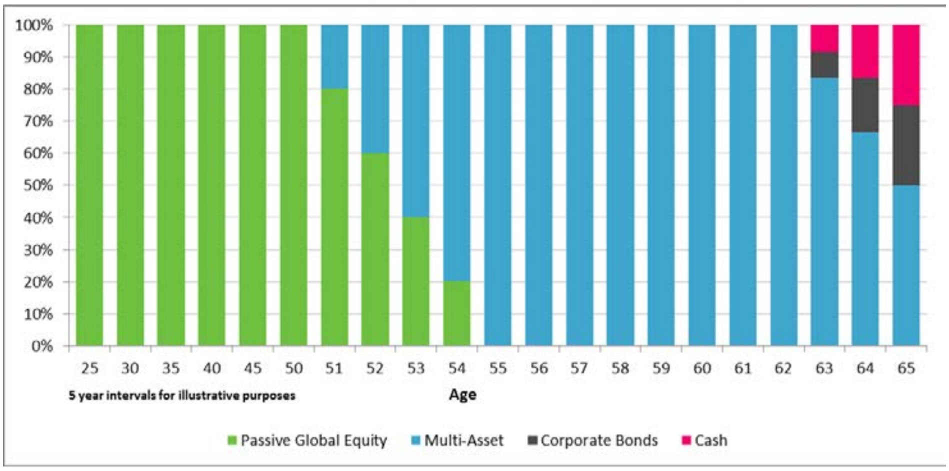
Retirement Planner 15 Year Annuity Lifestyle

This strategy invests in passively managed global equities in the “growth” phase and begins to de-risk into a multi-asset fund 15 years from a member’s selected retirement date. Finally, five years from retirement, the strategy de-risks into a pre-retirement fund (a mixture of government and corporate bonds) and cash.



Retirement Planner 15 Year Drawdown Lifestyle

This strategy invests in passively managed global equities in the “growth” phase and begins to de-risk into a multi-asset fund 15 years from a member’s selected retirement date. Finally, three years from retirement, the strategy de-risks into corporate bonds and cash.



Members can select their own target retirement age for the default strategies and alternative lifestyle strategies, failing which the target age of the strategy defaults to age 65.

Appendix 1a - DC Section Statement of Investment Principles

Funds used in default strategy and alternative lifestyle strategies

Asset Class	Fund name	Objective	Benchmark
Equities	L&G Future World Fund	To provide long term growth with lower risk than the market as a whole by investing in companies which are less carbon-intensive or earn green revenues.	FTSE All-World ex CW Climate Balanced Factor Index
Multi-Asset	L&G Multi-Asset Fund	To provide long-term investment growth through exposure to a diversified range of asset classes.	LIBOR+3.5% p.a.
Bonds	L&G Pre-Retirement Fund	To invest in assets that reflect the investments underlying a typical non-inflation linked pension annuity product.	Composite benchmark aimed at tracking annuity prices
Bonds	AAA-AA-A Corporate Bond – Over 15 Year Index Fund	To track the sterling total returns of the iBoxx £ Non-Gilts (ex-BBB) Over 15 Year Index (including re-invested income) to within +/- 0.50% per annum for two years in three	iBoxx £ Non-Gilts (ex-BBB) Over 15 Year Index
Cash	L&G Cash Fund	To provide capital protection with growth at short-term interest rates. The fund invests in the short-term money markets such as bank deposits and Treasury Bills.	7 Day LIBID

Self-select Fund Range

All members have been offered a choice of self-select investment funds from the range offered by Legal & General. Having considered the advice of the DC Investment Consultant, the Trustees have selected a range of funds from equity, property, bond and money market asset classes as well as absolute return and multi-asset funds. These funds may be considered broadly suitable for the majority of members.

Appendix 1a - DC Section Statement of Investment Principles

Asset Class	Fund name	Objective	Benchmark
Equities	L&G Future World Fund	To provide long term growth with lower risk than the market as a whole by investing in companies which are less carbon-intensive or earn green revenues.	FTSE All-World ex CW Climate Balanced Factor Index
Equities	L&G Global Equity Market Weights 30:70 GBP Currency Hedged Fund	To capture the total returns of the UK and overseas equity markets while maintaining a fixed 30/70 weighting between the UK and the overseas assets. A total of 75% of the overseas assets (excluding emerging markets) will be currency hedged to sterling.	L&G Global Equity (30:70) 75% Hedged
Equities	L&G Global Equity Fixed Weight 50:50 Index Fund	To capture the sterling total returns of the UK and overseas equity markets, with fixed asset allocation between the UK (50%) and overseas (50%).	50% FTSE All-Share/17.5% FTSE AW North America/17.5% FTSE AW Developed Europe (ex UK)/8.75% FTSE Japan/6.25% FTSE AW Developed Asia Pacific (ex Japan)
Equities	L&G World (ex UK) Equity Index Fund	To track the sterling total returns of the FTSE World (excluding UK) Index to within +/- 0.50% per annum for two years in three.	FTSE AW – All World (ex UK)
Equities	L&G UK Equity Index Fund	To track the total returns of the FTSE All-Share Index to within +/- 0.50% per annum for two years in three.	FTSE All-Share
Equities	L&G North American Equity Index Fund	To track the sterling total returns of the FTSE World North America Index to within +/- 0.50% per annum for two years in three.	FTSE AW North America
Equities	L&G World Emerging Markets Equity Index Fund	To track the performance of the FTSE Emerging Index to within +/-1.5% p.a. for two years out of three.	FTSE Emerging Markets
Equities	L&G Newton Global Higher Income Fund	To achieve increasing distributions on a calendar year basis with long-term capital growth.	FTSE World
Equities	L&G Ethical UK Equity Index Fund	To track the sterling total returns of the FTSE4Good UK Equity Index to within +/- 0.5% per annum for two years in three.	FTSE4Good
Equities	L&G Stewart Investors Asia Pacific Leaders Fund	To achieve long-term capital growth. The fund invests in large and mid-capitalisation equities in the Asia Pacific region (excluding Japan, including Australasia).	MSCI All Countries Asia Pacific Ex Japan
Multi-Asset	L&G Multi Asset Fund	To provide long-term investment growth through exposure to a diversified range of asset classes.	LIBOR+3.5% p.a.
Multi-Asset	L&G Diversified Fund	To provide long-term investment growth through exposure to a diversified range of asset classes.	LIBOR+4% p.a.
Bonds	L&G Index-Linked Gilt Fund	To get the best return from a portfolio of mainly index linked securities issued predominantly by the UK Government.	FTSE UK Index-linked Gilt All Maturities
Bonds	L&G AAA Fixed Interest All Stocks Fund	To produce a total return in line with the performance of the FTSE A Government (All Stocks) Index and capture the yield spread over gilts of AAA-AA-rated fixed interest securities.	FTSE A Government (All Stocks)
Bonds	L&G AAA-AA-A Corporate Bond – Over 15 Year Index Fund	To track the sterling total returns of the iBoxx £ Non-Gilts (ex-BBB) Over 15 Year Index (including re-invested income) to within +/- 0.50% per annum for two years in three	iBoxx £ Non-Gilts (ex-BBB) Over 15 Year Index
Bonds	L&G Pre-Retirement Fund	To invest in assets that reflect the investments underlying a typical non-inflation linked pension annuity product.	Composite benchmark aimed at tracking annuity prices
Property	L&G Property Fund	To get the best return from a portfolio of first class freehold and leasehold interests in commercial and industrial property.	IPD UK All Property
Cash	L&G Cash Fund	To provide capital protection with growth at short-term interest rates. The fund invests in the short-term money markets such as bank deposits and Treasury Bills.	7 Day LIBID

Appendix 1a - DC Section Statement of Investment Principles

All the funds used by the default strategy, alternative lifestyle strategies and self-select funds are provided through an investment platform operated by LGAS.

Members cannot invest concurrently in self-select funds and a lifestyle strategy or more than one lifestyle strategy.

Appendix 1a - DC Section Statement of Investment Principles

Appendix D – Fees and Charges

DC Investment Consultant

The Scheme's DC Investment Consultant is paid for on a time-spent or (where appropriate) a fixed fee basis. The Trustees believe that this approach ensures that all advice is impartial and independent.

Investment Management

The platform provider applies the following charges for investing in the funds selected by the Trustees:

Default strategy

Fund	Total Charge
L&G Future World Fund	0.49%
L&G Multi-Asset Fund	0.38%
L&G Cash Fund	0.35%

Source: LGAS

The charges above reflect a standard scheme charge of 0.25% p.a. applied to cover literature and administration services which the Trustees have negotiated with the platform provider.

The Trustees monitor the total charges of the funds used in the default strategy at three-monthly reference points. The total charges borne by members in the default option over a rolling 12 month period comply with the charge cap.

Self-select fund range

Fund	Total Charge *
L&G Future World Fund	0.49%
L&G Global Equity Market Weights 30:70 GBP Currency Hedged Fund	0.39%
L&G Global Equity Market Weights 50:50 GBP Currency Hedged Fund	0.35%
L&G World (ex UK) Equity Index Fund	0.37%
L&G UK Equity Index Fund	0.35%
L&G North American Equity Index Fund	0.37%
L&G World Emerging Markets Equity Index Fund	0.70%
Newton Global Higher Income Fund	1.09%
L&G Ethical UK Equity Index Fund	0.45%
Stewart Investors Asia Pacific Leaders Fund	1.16%
L&G Multi Asset Fund	0.38%
L&G Diversified Fund	0.52%
L&G Index-Linked Gilt Fund	0.35%
L&G AAA Fixed Interest All Stocks Fund	0.37%

L&G AAA-AA-A Corporate Bond – Over 15 Year Index Fund (15 Year Drawdown Lifestyle)	0.37%
L&G Pre-Retirement Fund	0.37%
L&G Property Fund	0.96%
L&G Cash Fund	0.35%

Source: LGAS

* The Total Charge is also known as a fund's "Total Expense Ratio* (TER) and is the sum of a fund's Annual Management Charge (including a 0.25% p.a. scheme charge) and other operating costs and expenses. It excludes transaction costs on the fund's underlying assets.

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

The charges for the investment options include the costs of routine administration of the Scheme.

The funds' total charges and transaction costs (explicit and implicit) 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.

Appendix 1a - DC Section Statement of Investment Principles

Appendix E – Investment Beliefs

Area of focus	Belief
Member focus	Understanding member characteristics, circumstances and attitudes is essential to developing and maintaining an appropriate investment strategy. Members should be able to understand the options available to them and monitor progress of their investments against a defined target. Members should have the option to manage their own investments but should also have available strategies that manage risk and return for them.
Time period	Long term investing is considered as at least 15 years.
Risk and return balance	Members far from retirement are able to accept volatility in their investments with the expectation of achieving returns well in excess of inflation over the long term. Members moving closer to retirement are less able to accept significant (downside) volatility in their investments. It is therefore important to reduce the chances of pot sizes falling significantly as retirement approaches by reducing the volatility of investments. Foreign currency exposure may be a source of return but largely it is a risk that members do not wish to take unless self-selected.
Diversification	Diversification reduces the overall variability of a member's asset returns. This includes diversification across asset classes, markets, managers and investment styles. Where appropriate, risk should be diversified across a range of funds/asset classes.
Fees	The impact of fees is important. Therefore, all investment performance should be measured net of fees against an agreed benchmark. However, lower cost does not necessarily always mean better outcomes will be achieved.
Benchmarks and targets	All funds should have clear and relevant benchmarks (including blended funds) as well as performance targets. Poor short term performance is not, alone, a reason to remove or replace a manager
Investment style	There is a role for both active and passive management. The Trustees recognise the use of passive management for capturing market returns cheaply, with active management only used where: a) the Trustees have high conviction that the manager can add value after fees (if a suitable passive solution exists); or b) an investable index is not available or is unsuitable.
Responsible investment	Companies with a strong Environmental, Social and Governance ("ESG") policy are expected to outperform those with weaker or no ESG policy, over the longer term. Responsible investment is delegated to the Scheme's investment managers. The Trustees expect the managers of both actively and passively managed funds to engage with companies and use their voting powers. Active managers are expected to consider ESG factors when selecting securities so long as these actions do not conflict with the financial interests of members and the Scheme's investment objectives. The Trustees review the Scheme's investment managers' ESG policies but do not ordinarily seek to screen or intervene in the managers' decisions.
Default and lifestyle strategies	The Scheme should provide members with default investment strategies that meet the majority of members' requirements. The Trustees should provide members with a range of lifestyle strategies to help them de-risk automatically in accordance with how they are expected to access their retirement saving via either; a) income drawdown; b) annuity purchase; or c) full cash withdrawal. Members' decisions on how they will take their retirement benefits is expected (at least for the time being) to be based largely on pot sizes. Small pots are expected to be taken fully as cash. Larger pots are expected to be split between tax free cash and income drawdown. The Trustees do not believe that the majority of members will buy an annuity at the point of retirement but acknowledge that some members may still take this option and so offers a strategy suitable for those members. Within all strategies, the Trustees believe that most members will take their maximum allowable tax free cash at the point of retirement. For the foreseeable future, the Trustees expect members to take all their pension pot as cash at retirement.
Self-select	The Trustees should support members who wish to select their own investments by providing a suitable range of funds. Having too many fund options may result in members not being able to make appropriate decisions. Ethical and religious views should be considered when providing a range of funds for members to invest in. The ongoing governance requirements should be taken into account when reviewing the range of self-select funds.
Monitoring and development	Performance should be monitored on a regular basis and triggers set for the formal review (and potential removal) of managers.

Appendix 1b - Extract of DB section Statement of Investment Principles covering the AVC arrangements

3.2 AVCs

The Trustees give members the opportunity to invest Additional Voluntary Contributions (AVCs) at the members' discretion. The Trustees have selected Aviva (Friends Life) and AEGON (Scottish Equitable) as the Scheme's AVC providers. The AVC arrangements and investment options available to members are regularly reviewed for suitability taking into account the asset type, charging structure, flexibility and the quality of administration.

Following a review of the Scheme's AVC arrangements at the end of 2015, the Trustees agreed to provide the following arrangements:

- Aviva (Friends Life) will be offered as the only provider for new AVC members.
- The range of investment choices available to new members will be limited to a core range with Aviva (Friends Life).

Existing AVC members hold investments in a wide range of funds offered by Aviva (Friends Life) and AEGON. For these members, there will be no requirement to move out of funds in which they are currently invested. However any new contributions can only be invested into the new core range of funds with Aviva (Friends Life).

The new core fund range with Aviva (Friends Life) is as follows:

Asset class	Management style	Friends Life Fund name
UK Equities	Index Tracking	FL Blackrock UK Equity Index Fund
Global Equities	Index Tracking	FL Blackrock World (ex-UK) Equity Index Fund
UK Equities	Active	FL Blackrock UK Equity Fund
Global Equities	Active	FL Global Equity Fund
Stewardship	Active	FL Stewardship Managed Fund
Balanced/Multi-Asset	Active	FL Managed Fund
Fixed Interest Gilts	Index Tracking	FL Blackrock Over 15 Year Gilt Index
Index-Linked Gilts	Index Tracking	FL Blackrock 5Y+ Index Linked Gilt Index
Pre-Retirement	Active	FL Pre-Retirement Fund
Property	Active	FL Property Fund
Cash	Active	FL Cash Fund
The default fund will be the FL Managed Fund with a 5 year lifestyle programme.		

The Trustees offer a lifestyle programme that gradually de-risks members' assets to ensure that members do not end up with a very significant proportion of their assets invested in equities at the point of their retirement (as would be the case if members' assets remained invested in the FL Managed Fund).

The Trustees recognise that 100% cash at the point of retirement would be the most suitable option for members as we would expect many members to take their AVC benefits as cash. However, Aviva (Friends Life) are currently unable to offer a lifestyle programme that de-risks to 100% cash. The Trustee has therefore chosen the 5 year lifestyle program that still de-risks a members assets over the 5 years to retirement, but into a target allocation at retirement of 25% FL Cash Fund and 75% FL Pre-Retirement Fund.

Appendix 2

Table of funds and charges

Please note that the charges for the Legal & General funds in the tables below do take into account the 0.25% charge for administration services which are also borne by members.

2a Default arrangement

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year used in the default arrangement were:

Fund	ISIN *	Charges **		Underlying Fund	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
Future World Fund (PMC) 3	GB00BD1JRB64	0.49	4.90	L&G Future World Fund	0.05	0.5
Global Equity Market Weights 30:70 Index (PMC) 3	GB00B4YNPZ25	0.39	3.90	L&G Global Equity Market Weights (30:70) Index Fund - GBP 75% Currency Hedged	0.06	0.6
Multi-Asset (PMC) 3	GB00B5W2CB33	0.38	3.80	L&G Multi-Asset Fund	0.04	0.4
L&G Cash 3	GB00B4VD0B60	0.34	3.40	L&G Cash Fund	0.00	0.00

Source: Legal & General. Note, the transaction costs shown above are for the period 30 September 2019 to 30 September 2020.

2b Lifestyle options outside the default arrangement

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year used in the Annuity lifestyle option were:

Fund	ISIN *	Charges **		Underlying Fund	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
Future World Fund (PMC) 3	GB00BD1JRB64	0.49	4.90	L&G Future World Fund	0.05	0.5
Global Equity Market Weights 30:70 Index (PMC) 3	GB00B4YNPZ25	0.39	3.90	L&G Global Equity Market Weights (30:70) Index Fund - GBP 75% Currency Hedged	0.06	0.6
Pre-Retirement (PMC) 3	GB00B4QJ1L64	0.37	3.70	L&G Pre-Retirement Fund	0.16	1.60
L&G Cash 3	GB00B4VD0B60	0.34	3.40	L&G Cash Fund	0.00	0.00

Source: Legal & General. Note, the transaction costs shown above are for the period 30 September 2019 to 30 September 2020.

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year used in the Drawdown lifestyle option were:

Fund	ISIN *	Charges **		Underlying Fund	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
Future World Fund (PMC) 3	GB00BD1JRB64	0.49	4.90	L&G Future World Fund	0.05	0.5
Global Equity Market Weights 30:70 Index (PMC) 3	GB00B4YNPZ25	0.39	3.90	L&G Global Equity Market Weights (30:70) Index Fund - GBP 75% Currency Hedged	0.06	0.6
Pre-Retirement (PMC) 3	GB00B4QJ1L64	0.37	3.70	L&G Pre-Retirement Fund	0.16	1.60
AAA-AA Fixed Interest All Stocks Targeted Duration (PMC)3	GB00B4VJXD79	0.37	3.70	L&G AAA-AA Fixed Interest All Stocks Targeted Duration Fund	0.00	0.00
L&G Cash 3	GB00B4VD0B60	0.34	3.40	L&G Cash Fund	0.00	0.00

Source: Legal & General. Note, the transaction costs shown above are for the period 30 September 2019 to 30 September 2020.

2c Self-select funds outside the default arrangement

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year for the self-select funds were:

Fund	ISIN *	Charges **		Underlying Fund	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
World Emerging Markets Equity Index (PMC) 3	GB00B4QBYH95	0.50	5.00	L&G World Emerging Markets Equity Index	0.01	0.10
L&G Pension BNY Mellon Global Income Fund 3	GB00B4NR6740	1.10	11.0	Newton Global Income Fund	0.07	0.70
L&G Pension Stewart Investors Asia Pacific Leaders 3	GB00B4N2WT31	1.03	10.3	Stewart Investors Asia Pacific Leaders	0.26	2.60
UK Equity Index (PMC) 3	GB00B4MV7743	0.35	3.50	L&G UK Equity Index Fund	0.00	0.00
World (EX-UK) Equity Index (PMC) 3	GB00B4QBYH95	0.37	3.70	L&G World (ex-UK) Equity Index Fund	0.01	0.10
Ethical UK Equity Index (PMC) 3	GB00B4MV7743	0.55	5.50	L&G Ethical UK Equity Index Fund	0.00	0.00
Global Equity Fixed Weights 50:50 Index (PMC) 3	GB00B4QVNX86	0.35	3.50	L&G Global Equity Fixed Weights (50:50) Index Fund	0.01	0.10
Diversified (PMC) 3	GB00B8KLQD32	0.53	5.30	L&G Diversified Fund	0.00	0.00
L&G Property 3	GB00BGYBWM68	1.16	11.60	n/a	0.00	0.00
AAA-AA-A Corporate Bond Over 15 Year Index Fund (PMC) 3	GB00B4VJXD79	0.37	3.70	L&G AAA-AA-A Corporate Bond Over 15 Year Index Fund	0.01	0.10
North America Equity Index (PMC) 3	GB00B3VGBC62	0.37	3.70	L&G North America Equity Index Fund	0.00	0.00
L&G Index-Linked Gilts 3	GB00BGYBVQ32	0.34	3.40	n/a	0.00	0.00

Source: Legal & General. Note, the transaction costs shown above are for the period 30 September 2019 to 30 September 2020.

2d Additional Voluntary Contributions for members in the defined benefit section

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year for the AVC funds were:

Fund	ISIN *	Charges **		Underlying Fund	ISIN *	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested			% p.a. of the amount invested	£ p.a. per £1,000 invested
Aviva Managed Fund	GB00B00H4G44	0.59	5.90	n/a	n/a	0.08	0.76
Aviva Pre-Retirement Fixed Interest Fund	GB00B00H7T87	0.59	5.90	n/a	n/a	0.09	0.8 6
Aviva Cash Fund	GB00B00G8H09	0.59	5.90	n/a	n/a	0.00	0.00
Aviva Blackrock UK Equity Index Fund	GB0001532166	0.59	5.90	Blackrock UK Equity Index Fund	GB0005803530	0.22	2.20
Aviva Blackrock World (ex-UK) Equity Index Fund	GB0033757724	0.59	5.90	Blackrock World (ex-UK) Equity Index Fund	GB00BYSL7P67	0.05	0.49
Aviva Blackrock Over 15 Year Gilt Index	GB00B00FN720	0.59	5.90	Blackrock Over 15 Year Gilt Index	GB00BYSL8424	0.02	0.19
Aviva Blackrock 5Y+ Index Linked Gilt Index	GB00B00H7B04	0.59	5.90	Blackrock 5Y+ Index Linked Gilt Index	GB00BYSL7T06	0.06	0.61
Aviva Blackrock UK Equity Fund	GB0001532166	0.83	8.80	Blackrock UK Equity Fund	GB0005803530	0.39	3.89
Aviva Global Equity Fund	GB00B00H7G58	0.59	5.90	n/a	n/a	0.18	1.78
Aviva Stewardship Managed Fund	GB00B00GX866	0.59	5.90	Aviva Stewardship Managed Fund	GB00BTF89F94	0.20	2.03
Aviva Property Fund ****	GB00B00GX536	0.59	5.90	n/a	n/a	0.17	1.67

Source: Aviva. Note, the transaction costs shown above are for the period 30 June 2019 to 30 June 2020. The Trustees have requested transaction costs for the year to 30 September 2020 from Aviva but have not yet received this information

* ISIN = the International Securities Identification Number unique to each fund.

** Charge = the funds' Total Expense Ratio ("TER"), which includes the funds' Annual Management Charge ("AMC") and Operating Costs and Expenses ("OCE").

*** Underlying Fund = the fund in which the Scheme's top level Fund invests.

Appendix 3

Tables illustrating the impact of charges and costs

The following tables show the potential impact of the costs and charges borne by a typical member on projected values in today's money at several times up to retirement for a selection of funds and a range of contribution levels:

Assumptions for Scheme's Legal & General investment illustrations

- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Inflation is assumed to be 2.5% p.a.
- For DC pots, the starting pot size is assumed to be £10,500 at age 36, as this represents a typical member of the Scheme. Contributions are based on a salary of £29k at age 36. Contributions are assumed to be paid from age 36 to 65 (assumed retirement age) and to remain consistent each year.
- The assumed growth rate (after inflation) and charges for the funds are:

Fund	Growth Rate	Charges
Future World Fund	1.9%	0.49%
Cash Fund	-1.8%	0.34%
Multi-Asset Fund	1.0%	0.38%
Property Fund	1.2%	1.16%

3a For the default arrangement

The table below shows how the DC pot for a 36 year-old member might grow over time to their retirement allowing for investment returns and contributions, including what effect the charges for these investment options could have:

Years to retirement	8% Total Contribution		13% Total Contribution		0% Contribution (Deferred members)	
	Before costs and charges £	After costs and charges are taken £	Before costs and charges £	After costs and charges are taken £	Before costs and charges £	After costs and charges are taken £
29	13,008	12,943	14,458	14,389	10,695	10,637
26	17,994	17,758	22,320	22,047	11,095	10,916
24	22,951	22,483	30,124	29,555	11,510	11,203
19	35,270	33,959	49,473	47,754	12,617	11,954
9	58,433	54,517	85,836	80,379	14,724	13,266
1	72,881	66,448	108,882	99,696	15,457	13,415

Source: Legal and General

3b For the default arrangement

The table below shows how the DC pot for 25 year-old member might grow over time to their retirement allowing for investment returns and contributions, including what effect the charges for these investment options could have:

Years to retirement	8% Total Contribution		13% Total Contribution		0% Contribution (Deferred members)	
	Before costs and charges £	After costs and charges are taken £	Before costs and charges £	After costs and charges are taken £	Before costs and charges £	After costs and charges are taken £
40	13,008	12,943	14,458	14,389	10,695	10,637
37	17,994	17,758	22,320	22,047	11,095	10,916
35	22,951	22,483	30,124	29,555	11,510	11,203
30	35,270	33,959	49,473	47,754	12,617	11,954
20	60,078	55,850	88,239	82,333	15,161	13,609
10	84,303	75,674	125,967	113,577	17,847	15,217

Source: Legal and General

3c For the Global Equity 30:70 Fund (example of a higher risk fund):

The table below shows how the DC pot for a 36 year-old member might grow over time to their retirement allowing for investment returns and contributions, including what effect the charges for these investment options could have:

Years to retirement	8% Total Contribution		13% Total Contribution		0% Contribution (Deferred members)	
	Before costs and charges £	After costs and charges are taken £	Before costs and charges £	After costs and charges are taken £	Before costs and charges £	After costs and charges are taken £
29	13,019	12,965	14,470	14,413	10,705	10,657
26	18,037	17,839	22,369	22,140	11,127	10,977
24	23,035	22,643	30,226	29,749	11,565	11,308
19	35,509	34,403	49,785	48,337	12,738	12,178
9	60,867	57,263	89,339	84,308	15,454	14,124
1	84,951	77,688	126,681	116,275	18,389	16,139

Source: Legal and General

3d For the Cash Fund (example of a lower risk fund and fund with the lowest charges):

The table below shows how the DC pot for a 36 year-old member might grow over time to their retirement allowing for investment returns and contributions, including what effect the charges for these investment options could have:

Years to retirement	8% Total Contribution		13% Total Contribution		0% Contribution (Deferred members)	
	Before costs and charges £	After costs and charges are taken £	Before costs and charges £	After costs and charges are taken £	Before costs and charges £	After costs and charges are taken £
29	12,584	12,544	14,006	13,964	10,316	10,281
26	16,478	16,343	20,567	20,410	9,956	9,855
24	20,029	19,776	26,560	26,252	9,610	9,448
19	27,539	26,924	39,291	38,474	8,795	8,501
9	37,711	36,190	56,734	54,564	7,367	6,882
1	42,668	40,279	65,480	61,963	6,281	5,691

Source: Legal and General

3e For the Property Fund (fund with the highest charges):

The table below shows how the DC pot for a 36 year-old member might grow over time to their retirement allowing for investment returns and contributions, including what effect the charges for these investment options could have:

Years to retirement	8% Total Contribution		13% Total Contribution		0% Contribution (Deferred members)	
	Before costs and charges £	After costs and charges are taken £	Before costs and charges £	After costs and charges are taken £	Before costs and charges £	After costs and charges are taken £
29	12,927	12,790	14,372	14,226	10,623	10,500
26	17,700	17,205	21,980	21,408	10,873	10,501
24	22,370	21,408	29,417	28,245	11,129	10,502
19	33,645	31,051	47,344	43,933	11,796	10,504
9	54,867	47,113	80,957	70,063	13,252	10,507
1	72,993	58,548	109,530	88,665	14,716	10,511

Source: Legal and General

Assumptions for Scheme's Aviva AVC illustrations

- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Inflation is assumed to be 2.5% p.a.
- AVC pots are assumed to be worth £0 when members start contributions.
- Contributions are assumed to be £100 per month and increase in line with inflation each year.
- The assumed growth rate for the Managed Fund is 4.3% p.a.
- The assumed costs and charges for the Managed Fund are 0.66% p.a.

Please note these illustrations are examples and may not reflect your individual circumstances.

3f For the most popular AVC fund:

The table below shows how the AVC pot for a member who is starting to contribute might grow over time up to their retirement allowing for investment returns and contributions, including what effect the charges for these investment options could have:

At end of year	Aviva Managed Fund	
	Before costs and charges £	After costs and charges £
1	1,200	1,190
3	3,660	3,620
5	6,200	6,100
10	13,000	12,500
15	20,400	19,300
20	28,400	26,500
40	68,600	59,300
50	94,700	78,600

Source: Aviva

Please note that these illustrated values:

- Are estimates using assumed rates of future investment returns and inflation;
- Are not guaranteed;
- Depends how far away members in the default lifestyle option are from retirement as the funds used change over time;
- May not prove to be a good indication of how your own savings might grow;
- Comply with the Technical Actuarial Standards (TAS) 100: Principles for Technical Actuarial Work.