

# Finning Pension Scheme DC Section

## Statements of Investment Principles

### Introduction

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

This document presents the Statements of Investment Principles for the Finning Pension Scheme (the "Scheme") covering the DC Section of the Scheme. 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.

**In Q1 2018, the Scheme set up an Investment sub-committee. The specific role and responsibilities of the ISC are set out in a separate terms of reference document.**

### Statements of Investment Principles

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\*; and
- 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. Investment implementation for the default arrangement;
- B. Investment implementation for the investment options outside the default arrangement;
- C. Summary of the approach to investment governance; and
- D. Summary of the Scheme's service providers.

#### For the record

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


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

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

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

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

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

Name	Signed	Date
CIARAN MC MENAMIN		28 <sup>TH</sup> JUNE 2019

June 2019

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

## Reasons for the Default Option

The Trustees have decided that the Scheme should have a default investment option because:

- It should be easy to become a member of the Scheme and start building retirement benefits without the need to make any investment decisions; and
- A majority of the Scheme's members are expected to have broadly similar investment needs.

## Choosing the Default Option

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

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

- The age and salary profile;
- Contribution levels;
- The likely sizes of pension pots at retirement;
- The likely return on investment;
- Members' likely benefit choices at and into retirement.

## Objectives for the Default Option

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

- Manages the main investment risks members' face during their membership of the Scheme;
- Gives good member outcomes at retirement by maximising investment returns relative to inflation while taking an appropriate level of risk for the majority of members who do not make investment choices; and
- Reflects members' likely benefit choices at retirement.

## The default option

The default option is therefore:

A lifestyle strategy which targets members who are expected to use Flexible Access Income Drawdown during their retirement.

The default lifestyle strategy gradually moves investments between different funds to manage the levels of expected investment risks and returns at each stage of membership of the Scheme.



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

### Reasons for the investment options

In addition to the default option, the Scheme offers members a choice of investment options because:

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

### Choosing the investment options

#### Membership analysis

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

- The members' age and salary profile;
- The likely sizes of members' pension pots at retirement;
- Members' retirement dates and likely range of benefit choices at retirement;
- The levels of investment risk and return members may be willing to take;
- The degree to which members are likely to take an interest in where their contributions are invested; and
- The number of members who are likely to want responsible, ethical or faith-based investment.

#### Member behaviour

The Trustees have also considered the results of academic research and market surveys into how members choose where to invest their pension pot which in summary show:

- Too little choice is viewed negatively by members;
- Too much choice can prove confusing and deter members from taking action; and
- Some members will not regularly review their choices.

### Costs of investment options

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

### Objectives for the investment options

The Scheme offers members the following choices of investment options as an alternative to the default option:

#### Alternative lifestyle options

The main objectives of the alternative lifestyle options are to:

- Manage the main investment risks members' face during their membership of the Scheme;
- Give good member outcomes at retirement by maximising investment returns relative to the rate of inflation while taking an appropriate level of risk; and
- Give further choice for members who feel that the Scheme's default option is not appropriate to their needs, but do not otherwise want to be involved in deciding where their contributions are invested.

The alternative lifestyle options also give members a choice (compared to the default option) of:

- Targeting an annuity at retirement; or
- Targeting cash at retirement.

#### Self-select funds

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

- Provide a choice of individual funds for members who want to more closely involved in choosing where their pension funds are invested;
- Complement the objectives of the Default Option and the alternative lifestyle options;
- Provide a broader choice of levels of investment risk and return;
- Help members more closely tailor how their pension pots are invested to their personal needs and attitude to risk.

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

#### Risk and return

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

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





## 3 Statement of investment beliefs, risks and policies

### Introduction

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.

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

### Risks

#### Principal Investment risks

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

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

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

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

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

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

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

#### Other investment risks

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

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

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

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

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

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

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

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

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

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

### Managing risks

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

### Principal investment risks

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

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

### Other investment risks

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

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

At this time, the Trustee has not made explicit allowance for climate change within the development or implementation of its investment strategy. The Trustee does discuss the potential impact of climate risks with its adviser and managers on a periodic basis and will 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 investment platform providers and fund managers. This gives access to a range of funds while keeping down costs to members, but means that the Trustees cannot adopt an



approach to managing financially material considerations specific to the 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 or benchmark indices as appropriate and are satisfied that the fund managers follow an approach which takes account of financially material factors;
- For actively managed funds, the Trustees 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 Trustee recognises that the funds' objectives are to deliver returns in line with its benchmark, which the Trustees believe will deliver appropriate risk adjusted returns. The Trustee will review the index benchmarks employed for the Scheme on at least a triennial basis;
- For all funds, expecting 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 Trustees believe that it is important to balance investment risks with the likely long-term returns from different types of assets used in funds (taking the funds' charges into account):

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

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

**Multi-asset funds** – invest in a varying mix of asset classes which should deliver positive returns relative to inflation over the longer-term, with shorter-term volatility lower than equities.

### Investment beliefs

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

- Managing the principal investment risks is the most important driver of good long-term member outcomes;



- As the Scheme invests for members over the long-term, financially material considerations including ESG and the impact of climate change will have a bearing on funds' expected levels of risk and return;
- Investment markets may not always behave in line with long-term expectations during the shorter-term;
- Taking investment risk is usually rewarded in the long term;
- Investment risks can be reduced by spreading investments both within and across asset classes;
- Actively managed funds, where the manager chooses where to invest, may not always deliver the expected investment returns in the shorter-term;
- Passively managed funds, whose returns are intended to track a market index, may produce investment returns more efficiently than actively managed funds in some markets; and
- Charges and costs (levied by fund managers and platform providers) can have a material effect on net returns.

### Types of funds used

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

### Realisation of investments

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

### Stewardship

The Trustee recognises 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.

### Members' financial interests

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


### Voting and engagement

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

Where relevant, the Trustee has reviewed the voting and engagement policies of the fund managers as well as the approach to governance of the investment platform provider and determined that these policies are appropriate.





The Trustees do not engage directly but believe it is sometimes appropriate for the fund managers to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to improve corporate behaviours, improve performance and mitigate financial risks. The Trustees aim to review engagement activity undertaken by the fund managers as part of its broader monitoring activity.

The Trustees expect the investment platform provider(s) 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.

### Monitoring

The Trustees aim to meet with all major fund managers on a periodic basis. The Trustees will provide the fund managers with an agenda for discussion, including, where appropriate, ESG issues.

### Non-financial factors

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

The Trustees note that a 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 it would not be worthwhile surveying members' views on non-financial factors relating to the Scheme's investments. The Trustees will instead take into account what, in their reasonable opinion, members' views of non-financial factors are likely to be.

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

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

**For the record**

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

Funds are chosen by the Trustees to give an expected level of return with an appropriate level of investment risk which 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;
- Illiquid assets including infrastructure, forestry, private equity and private debt;
- Commodities through collective investment vehicles; and
- Derivatives to facilitate changes in where funds are invested or to help control investment risks.

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

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

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



## Appendix A - Investment implementation for the default arrangement

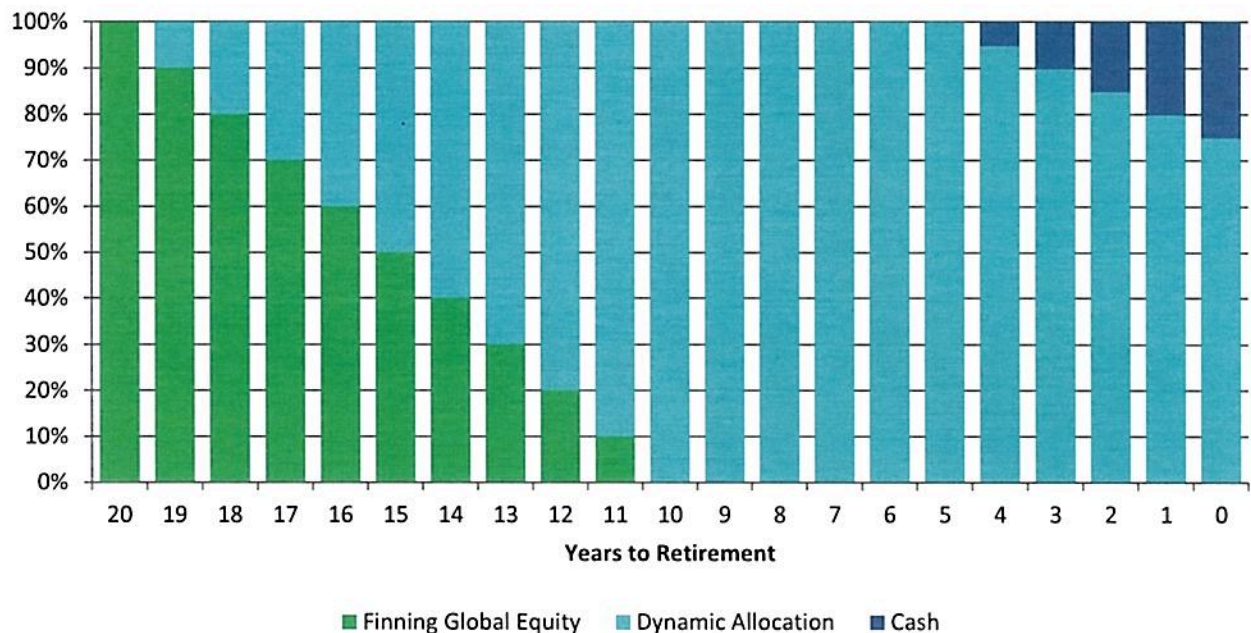
### Default option

The default option is a lifestyle strategy which targets income drawdown at retirement.

Members are invested in funds expected to give higher returns relative to inflation up to 20 years before their selected retirement date.

Members are gradually switched into funds which are expected to give good returns relative to inflation while consolidating past investment gains between 19 and 5 years before their selected retirement date.


Finally, members are automatically switched into funds aligned to their expected benefit choices at retirement during the last 4 years up to their selected retirement date.



### Fund allocation

The allocation to each fund in the default option at yearly intervals up to a member's selected retirement date is:

Years to retirement	Finning Global Equity %	Dynamic Allocation %	Cash %
10 or more	0	100	0
9	0	100	0
8	0	100	0
7	0	100	0
6	0	100	0



5	0	100	0
4	0	95	5
3	0	90	10
2	0	85	15
1	0	80	20
0	0	75	25

Rebalancing between these funds takes place on a quarterly basis. "Reverse switching" in the event of marked relative movements between funds causing an overshoot of the target asset allocation is undertaken on a quarterly basis.

### Funds and charges

The funds used by the default option and their charges (expressed as a percentage annual management charge ("AMC") and Total Expense Ratio ("TER") as at 30 September 2017 are:

Platform Fund	Underlying fund	AMC %	TER %
Finning Global Equity	Finning Global Equity Fund	0.21	0.23
Dynamic Allocation	DC Dynamic Allocation Fund	0.35	0.38
Cash	Aquila Life Cash Fund	0.1	0.13

Members in the default option will see TERs range from 0.23% to 0.38%.

### Investment costs

#### Fund charges

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

The Scheme is a "qualifying scheme" for auto-enrolment purposes, which means that the Default Option is subject to the charge cap introduced by the government.

#### Transaction costs

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

### Review

The present default option was introduced in February 2016.



## Appendix B - Investment implementation for investment options outside the default arrangement

### Lifestyle options

The Scheme offers members a choice of alternative lifestyle options as an alternative to the default option.

### Objective

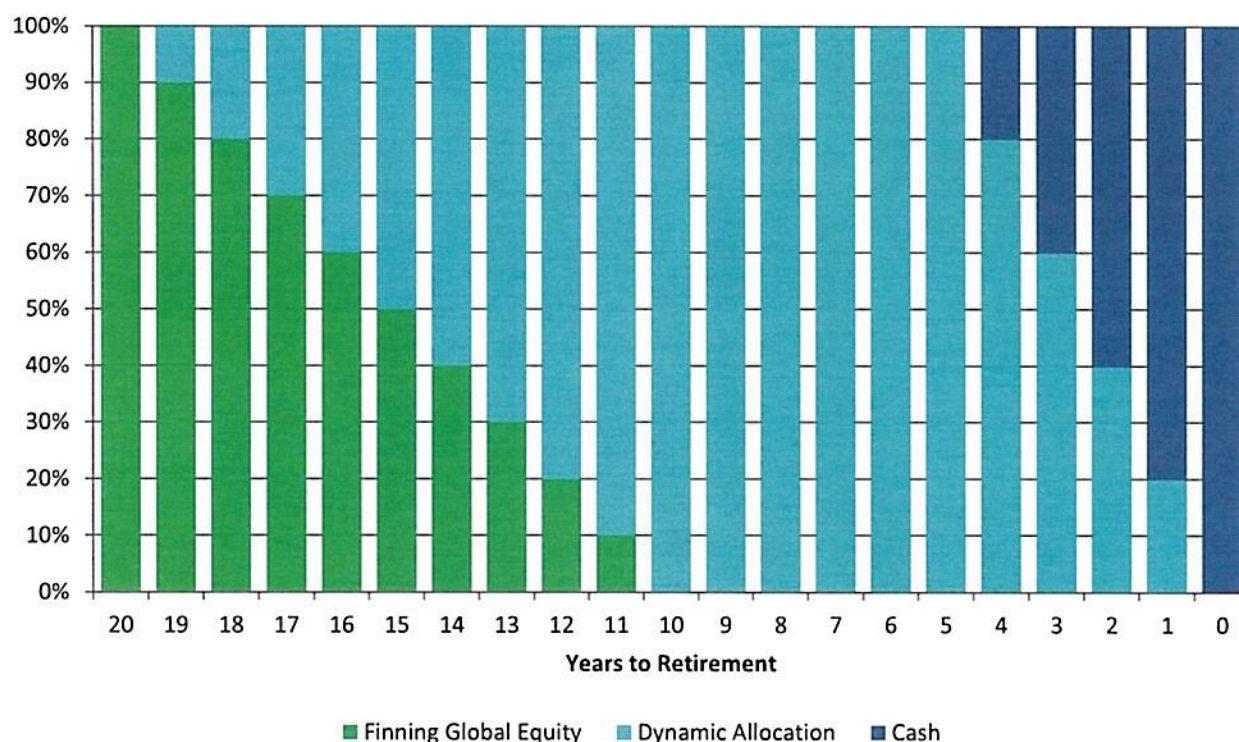
While the default lifestyle option targets income drawdown at retirement, one alternative lifestyle option targets cash at and the other alternative lifestyle option targets annuity at retirement.

### Cash Lifestyle Approach

Members are invested in funds expected to give higher returns relative to inflation up to 20 years before their selected retirement date.

Members are gradually switched into funds which are expected to give good returns relative to inflation while consolidating past investment gains between 19 and 5 years before their selected retirement date.

Finally, members are automatically switched into funds that align to their expected retirement choices during the last 4 years up to their selected retirement date.



### Fund allocation

The allocation to each fund in the alternative lifestyle options at yearly intervals up to a member's selected retirement date are:

Years to retirement	Finning Global Equity %	Dynamic Allocation %	Cash %
10 or more	0	100	0
9	0	100	0
8	0	100	0
7	0	100	0
6	0	100	0
5	0	100	0
4	0	80	20
3	0	60	40
2	0	40	60
1	0	20	80
0	0	0	100

Rebalancing between these funds takes place on a quarterly basis. "Reverse switching" in the event of marked relative movements between funds causing an overshoot of the target asset allocation is undertaken on a quarterly basis.

### Funds and charges

The funds used by the cash lifestyle option and their charges (expressed as a percentage - annual management charge ("AMC") and Total Expense Ratio ("TER")) as at 30 September 2017 are:

Platform Fund	Underlying fund	AMC %	TER %
Finning Global Equity		0.21	0.23
Dynamic Allocation		0.35	0.38
Cash		0.1	0.13

Members in the cash lifestyle options will see TERs at a point in time in the range from 0.13% to 0.38%.

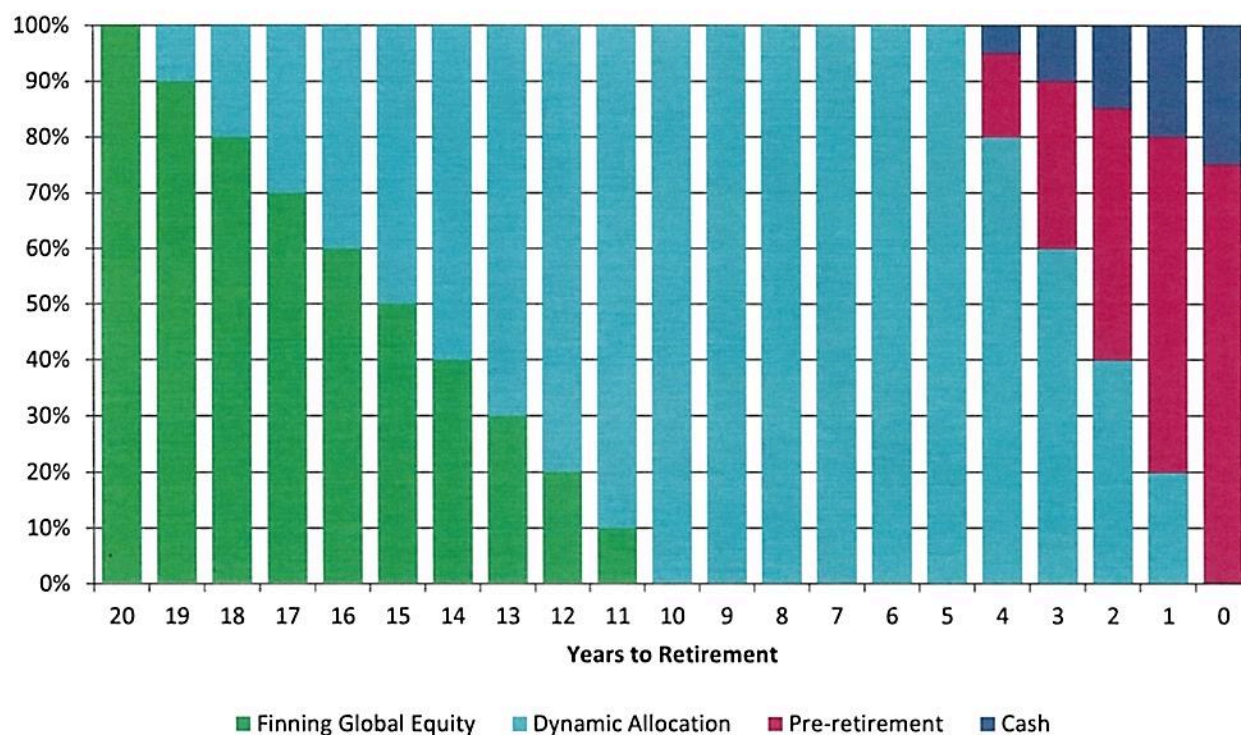
### Annuity Lifestyle Approach

Members are invested in funds expected to give higher returns relative to inflation up to 20 years before their selected retirement date.

Members are gradually switched into funds which are expected to give good returns relative to inflation while consolidating past investment gains between 19 and 5 years before their selected retirement date.



Finally, members are automatically switched into funds that align to their expected retirement choices during the last 4 years up to their selected retirement date.



### Fund allocation

The allocation to each fund in the alternative lifestyle options at yearly intervals up to a member's selected retirement date are:

Years to retirement	Finning Global Equity %	Dynamic Allocation %	Pre-retirement %	Cash %
10 or more	0	100	0	0
9	0	100	0	0
8	0	100	0	0
7	0	100	0	0
6	0	100	0	0
5	0	100	0	0
4	0	80	15	5
3	0	60	30	10
2	0	40	45	15
1	0	20	60	20
0	0	0	75	25

Rebalancing between these funds takes place on a quarterly basis. "Reverse switching" in the event of marked relative movements between funds causing an overshoot of the target asset allocation is undertaken on a quarterly basis

### Funds and charges

The funds used by the alternative lifestyle option[s] and their charges (expressed as a percentage [annual management charge ("AMC") and Total Expense Ratio ("TER") as at 30 September 2017 are:

Platform Fund	Underlying fund	AMC %	TER %
Finning Global Equity		0.21	0.23
Dynamic Allocation		0.35	0.38
Pre-Retirement Fund		0.15	0.16
Cash		0.10	0.13

Members in the alternative lifestyle options will see TERs at a point in time in the range from 0.1525% to 0.38%.

### Self-select fund range

The Scheme offers members a choice of self-select funds options as an alternative to the default option and alternative lifestyle options.

### Fund range

The choice of self-select funds and their charges (expressed as a percentage [annual management charge ("AMC") and Total Expense Ratio ("TER") as at 30 September 2017 are:

Platform Fund	Underlying fund	AMC %	TER %
Finning Global Equity Fund		0.21	0.23
Aquila Life UK Equity Index		0.10	0.11
Aquila Life World Ex UK Fund		0.15	0.16
Aquila Life Over 15 Years UK Gilt Index Fund		0.10	0.12
Aquila Life Over 5 Years Index-Linked Index Fund		0.10	0.11
Aquila Life All Stocks Corporate Bond Fund		0.15	0.17
Aquila Life Cash Fund		0.10	0.13
BlackRock DC Pre-Retirement Fund		0.35	0.38
Dynamic Allocation Fund		0.15	0.16



### Use of options

Members can contribute to the alternative lifestyle option[s] and self-select funds at the same time, but they cannot contribute to more than one lifestyle fund

Members can have investments from previous contributions in the alternative lifestyle options and self-select funds at the same time, but can't have more than one lifestyle fund.

### Investment costs

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

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

### Review

The current alternative lifestyle options and self-select fund range were introduced in February 2016.



## Appendix C

### Summary of the approach to investment governance

#### **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.

#### **Exercising the Trustees' Powers**

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

The Trustees have delegated day-to-day work on the Scheme's administration and investments. The current service providers to the Scheme together with how they are paid is set out in Appendix D.

#### **Conflicts of interest**

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

#### **Monitoring**

The Trustees regularly monitor and review:

**Investment Performance** - The performance of the funds in which the Scheme invests against both the funds' stated performance objectives and the investment objectives of the Scheme.

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

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

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

#### **Compliance with Statement of Investment Principles**

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


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

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

#### **Reporting**

The Trustees arrange for the preparation of:



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

## Appendix D

### Summary of the Scheme's service providers.

The Scheme's current service providers and their basis of remuneration are as follows:

Service	Provider	Remuneration basis
Investment platform provider	Aegon	Percentage of fund value included within funds' Total Expense Ratios
Fund managers	As shown in Appendices A and B	Percentage of fund value included within funds' Total Expense Ratios
Custodians	Selected by the fund managers.	Percentage of fund value included within funds' Total Expense Ratios
Pension administrator	Aon Hewitt	Fixed fee with project work charged on a time cost or agreed rate basis.
Auditor	Deloitte LLP	Fixed fee with out of scope work on time cost
Investment Consultant	Hymans Robertson LLP	Time cost fees
Legal advisers	Gowling	Time cost fees