

Statement of the Chair of the Trustees of Canon Retirement Benefit Scheme for the United Kingdom for the Scheme year ending 30 September 2021

Introduction

The Canon Retirement Benefit Scheme ('CRBS') for the United Kingdom ('the Scheme') operates two sections - a Defined Benefit (DB) Section and a Defined Contribution (DC) Section.

Both sections are collectively known as the '2013 Section'. The 2013 Section is a contracted-in (to the State Pension), Career Average Revalued Earnings (CARE) Scheme for earnings up to a level of salary, initially set at £50,000 but then increased annually in line with the rise in the Consumer Prices Index and Defined Contribution Scheme for contributions being paid on earnings in excess of the CARE level. From 1 June 2020, and following employee consultation, the 2013 Section closed to future accrual and all active members became deferred members of the Scheme.

For members within the DC Section, the level of benefits members will receive when they retire is not guaranteed, but instead depends on factors such as the amount of employer and employee contributions paid, and the investment returns earned on those contributions. How members choose to withdraw their benefits when able to, will also have a bearing on their income during retirement.

In addition to members of the DC Section, there are also a number of members that hold DC accounts within the Scheme as a result of being contracted-out of the State Pension on a 'Protected Rights' basis – members and their employer paid National Insurance contributions at a reduced rate and in turn, 'rebate contributions' were paid to and invested within the Scheme. These members are referred to as Protected Rights members. There are no ongoing contributions and all members are deferred members of the Scheme.

Background

Since 2015, trustees of pension schemes such as the Scheme, have been required to produce an annual statement, signed by the Chair of the trustees, setting out how they have met with required governance standards as they relate to their management of their DC arrangements. The aim of these requirements is to help members achieve a good outcome from their pension savings.

I hereby confirm that I, Matthew Searle, am the appointed Chair of the Scheme's Trustees' Board and I am authorised to sign this statement on behalf the Trustees. This is the seventh annual statement in respect of the Scheme.

This statement is produced in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the Regulations) and describes how the Trustees' Board has met the statutory governance standards, covering:

1. The default investment strategy, including its governance;
2. Requirements for processing financial transactions;
3. Assessment of member borne charges and transaction costs; and
4. The requirement for trustee knowledge and understanding.

This statement also contains a 'Value for Members Assessment' - an assessment of the Scheme in terms of whether and how it represents Value for Members, along with details of charges and transaction costs borne by members and illustrations showing the cumulative impact of those charges and costs on illustrative member funds.

This statement covers the period from 1 October 2020 to 30 September 2021. A copy has been incorporated into the Trustees Annual Report & Accounts, which is available on request to members and beneficiaries of the Scheme and members' appointed representatives.

Outcome of the Scheme Review

As referenced in previous Chair Statements and within the Introduction to this statement, on 3 February 2020 Canon in the UK started a formal consultation with affected employees regarding potential changes to the Scheme. This consultation concluded on 2 April 2020 and the outcome communicated to members by letter on 27 April 2020. In summary the Company agreed to:

- close the 2013 Section of the CRBS to new employees and cease the future build-up of benefits with effect from 31 May 2020;
- set up a new Master Trust Defined Contribution Scheme (the "MTDCS") that all future employee and employer pension contributions would be paid into with effect from 1 June 2020.
- engage with the Trustees around the treatment of the DC/AVC funds, with a view to consolidating these funds into the MTDCS.

As a result of these changes, all member benefits in the Scheme became preserved as at 31 May 2020.

In June 2020 the Trustees agreed, in principle, that these assets should be transferred on a bulk basis to the MTDCS arrangement, subject to suitability advice. The Trustees received formal advice in January 2021 and concluded that the bulk transfer should proceed. The Trustees concluded a change to the Scheme's DC Section, from its current form into a newer, more flexible product was considered appropriate, was in members best interests and would ultimately provide better Value for Members.

A bulk transfer of all DC and AVC funds took place in June 2021.

The exception to the transfer was Protected Rights members, whose funds have yet to be transferred to the MTDCS arrangement. The Trustees expect these funds to be transferred during 2022, following due notice to those members affected.

Given the significance of these decisions, certain trustee-related activities were impacted by Canon's proposals and the resulting actions taken by the Trustees. Where this is the case, it is referred to within this statement.

1. The requirements for a default investment strategy

Introduction

The Scheme has been used as a 'Qualifying Scheme' for 'auto-enrolment' purposes and has therefore been required to operate a 'default investment strategy' – a strategy that will automatically apply to a member's ongoing contributions and existing fund, in the absence of a member making active investment decisions.

In operating a default investment strategy, the Trustees also recognise their ultimate objective is to help ensure that the members of the Scheme can retire with a reasonable level of pension savings, taking account of the contributions paid into their individual accounts, the timescale over which those contributions are invested and a level of investment risk which is appropriate to most members who do not make active investment choices.

The default investment strategy is designed and monitored by the Trustees, after having taken suitable investment advice.

Statement of Investment Principles

Details of the default investment strategy can be found within the most recent Statement of Investment Principles (“SIP”) produced for the DC Section (September 2020), a copy of which can be found in Appendix B.

The statement explains the Trustees’ approach to investment governance, objectives and strategy and provides detailed information on the default investment strategy and alternative ‘self-select’ investment options available to members. The statement also takes account of the Trustees’ views on Social, Environmental Governance (‘ESG’) considerations (including but not limited to climate change) and the stewardship in the selection, retention, and realisation of their investments (including how any voting rights are exercised). This incorporates details of the arrangements in place with the Scheme’s investment managers. This includes monitoring and assessing:

- their philosophy for assessing and engaging with the businesses and institutions they invest in.
- the stewardship of those investments, including exercising of rights (including voting rights) attaching to investments.
- the ongoing costs and frequency of trading.
- their approach to Environmental, Social and Governance (ESG) policies.

Implementation Statement

The Trustees are also required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the Scheme’s Statement of Investment Principles during the previous Scheme year. This is referred to as the Implementation Statement. The statement also includes details of any reviews of the statement during the year, any changes that were made and reasons for the change.

A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, is also included within this statement.

A copy of the Trustee’s Implementation Statement, covering the period from 1 October 2020 to 30 September 2021 has been incorporated into the Trustees’ Annual Report & Accounts.

Review of Investment Options

The Trustees are required to formally review the default investment strategy at least every three years or immediately following any significant change in investment policy or the Scheme’s member profile.

The current default investment strategy, along with other self-select investments offered to members, continue to reflect those implemented following a review undertaken in 2014.

As part of the review, the Trustees carried out a demographic analysis of the membership. This analysis had the following objectives:

- To improve the Trustees’ understanding of the profile of the Scheme’s membership.
- To help the Trustees design an appropriate investment strategy; and
- To help the Trustees design an appropriate member communication strategy.

These objectives combined, would help to ensure the structure and design of investment proposition is based on the membership profile, where practical to do so.

The most recent review was completed by the Trustees in early 2019. Implementation of the recommendations, which could have led to the introduction of a new default investment strategy and alternative lifestyle strategies if implemented in full, had been put on hold following discussions between the Trustees and Canon regarding the ongoing management of the Scheme and delivery of benefits.

This position was further impacted by the Scheme's closure to new employees and future build-up of benefits for active members, followed by the bulk transfer of all DC and AVC funds to the MTDCS in June 2021.

As a consequence of these events, the Trustees agreed to not implement (and will not be implementing) the recommendations contained within the 2019 review.

Current Investment Options

In the absence of implementing the outcome of the 2019 investment review the options that have been available to members include a default investment strategy – the 'Lifestyle Investment Strategy' a 'lifestyled' strategy targeting an annuity benefit outcome at retirement. In addition, a range of individual funds have been available on a self-select basis for those members that haven't the Lifestyle Investment Strategy that is right for them, either from an investment and / or a benefit outcome perspective.

During the growth phase, which spans the time from a member joining the Scheme until 5 years from their target retirement date, the primary objective is to maximise returns over the long term at an acceptable level of risk. During this period the member is invested in the Legal & General Diversified Fund. During the Consolidation Phase (the 5 years leading up to a member's target retirement date), the member's assets are gradually switched to alternative funds with the aim of both reducing risk whilst also targeting a annuity or pension benefit outcome at retirement



Further information on the default investment strategy is set out within the Statement of Investment Principles which can be found in Appendix B.

Investment Monitoring

In addition to undertaking regular strategy reviews, the Trustees have regularly reviewed the performance of the default investment strategy and the wider investment options. These reviews include an analysis of fund performance and member activity to check that the risk and return levels meet expectations.

On a quarterly basis, the Trustees received, and reviewed performance monitoring reports produced by the Scheme's investment consultant. These were formally reviewed at the next scheduled Trustees' meeting.

The Trustees can confirm they considered the returns of the default investment strategy and these were consistent with the Trustees' current aims and objectives for that strategy, as set out within the Statement of Investment Principles.

The Trustees investment monitoring is covered in the Value for Members assessment and statement, which can be found in Appendix A.

2. Requirements for processing core financial transactions

Service Levels and Service Monitoring

The core financial transactions, including where appropriate the investment of contributions, transfers in and out of the Scheme to Scheme members and / or their beneficiaries, and transfers/switches of assets between different investments in the Scheme, have generally been processed promptly and accurately as evidenced by regular administration reporting, provided by Capita Pension Solutions (Capita), the Scheme administrator.

During the period covered by this statement, no contributions were made to the DC Section and no transfers-in were received by the Scheme's DC Section.

Agreed service levels (SLAs) are in place between the Trustees and Capita, with each administration report providing a full reconciliation of work undertaken and timescales achieved against agreed service levels for each 'job type'. These typically cover, but are not limited to, ensuring that the following activities are processed promptly and accurately:

- Benefit / retirement settlements.
- Transfers in / out of the Scheme;
- Investment switches.

In addition, each administration report includes a full reconciliation of cash movements (income and expenditure).

For activities completed outside of the agreed service level, specific details of cause and actions taken and resolution are provided and reviewed where required.

Each administration activity is allocated based on job type and age profile. This means, any case where information has returned from a third party will be prioritised and progressed in a timely manner. The prioritisation process ensures key dates are met, sensitive and urgent cases are treated as such, and member experience is protected, particularly where the processing of financial transactions are involved.

Average performance against agreed SLAs for the period covered by this year's statement stood at 91.00% (98.50% in the previous scheme year) which covers all administration activities, including the activities outlined above.

In the period covered by this statement, the Trustees are not aware of any material issues that negatively impacted the processing of core financial transactions. For activities completed outside of the agreed service level (where measured), specific details of cause and actions taken, and resolution are reviewed, and remedial action taken where required.

The Trustees have not sought to benchmark the Scheme's SLAs against other Capita clients or against other pension schemes which are not administered by Capita.

Internal Controls

In accordance with the ongoing administration reporting arrangements, controls are in place to monitor and ensure that core financial transactions are and continue to be processed promptly and accurately. This

includes regular monitoring of the Trustees' bank account and 'four eyes' checking of investments and banking transactions.

Furthermore, the monitoring of administration and core financial transactions is also reflected in the Trustees' Risk Register, the review of which is a standing agenda item.

These controls, along with service levels and any service issues are reviewed at each Trustees' meeting. This includes utilisation of a workflow management system to monitor Scheme and member related activities and related performance and forward planning of regular annual activities and events.

In support of the administrator being able to correctly calculate and process member benefits, the Trustees regularly assess the quality of the Scheme's data, by reference to the Pension Regulator's 'common' data requirements. Where data gaps are identified, the Trustees have taken appropriate remedial action.

The Trustees also review Capita Pension Solutions' most recent Internal Controls report (AAF 01/06) on an annual basis.

On behalf of the Trustees, Capita Pension Solutions also review the processes in place to identify potential 'pension scams' and clear information on how to spot a scam is included in all relevant member communications.

Further scrutiny of transactions, reporting and controls can be found in the audit report which is included in the Scheme's Annual Report & Accounts. No issues were reported in the latest published set of accounts, for the Scheme Year ending 30 September 2021.

3. Assessment of charges and transaction costs

The Trustees are required to set out the on-going charges borne by members in this statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs. This is also known as the 'Total Expense Ratio' (TER) or 'Ongoing Charges Figure' ('OCF'). The TER is paid by the members and is reflected in the unit price of the funds that members invest in.

The Trustees are also required to separately disclose transaction cost figures that are borne by members. In the context of this statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within investment funds.

Aside from investment management charges and investment transaction costs, all other costs associated with running the Scheme, are borne by the employer and therefore have no bearing on member charging. However, for completeness we have referred to these as part of our assessment of Value for Members, to be found in Appendix A.

The charges and transaction costs for each fund that comprise the default investment strategy and for each fund which members are able to select and in which assets relating to members are invested during the scheme year are recorded in Appendices C and D. Examples of the cumulative effect of costs and charges on member funds are set out in Appendix E. In preparing Appendices C to E of this Statement, the Trustees have had regard to statutory guidance published by the Department for Work and Pensions.

The Annual Management Charges applicable to the funds that comprise the default investment strategy disclosed in Appendices C and D, as well as funds available on a self-select basis fall significantly below the Charge Control cap of 0.75% required by pension scheme regulations. Transaction costs are generally negative or minimal.

All charges and transaction cost details have been provided by Legal & General Investment Management and cover the period 1 October 2020 to 30 September 2021. In preparing this statement, we were able to obtain all transaction cost information for the funds disclosed.

4. The requirement for trustee knowledge and understanding

The Trustees' Board spend an appropriate amount of time running the Scheme in relation to the size and complexity of the arrangements and in doing so are also required to maintain an appropriate level of knowledge and understanding. This, together with professional advice, enables them to properly exercise and discharge their functions and duties in relation to the management of the Scheme. During the period covered by the statement, the Trustees held 4 formal meetings.

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. The Trustees will refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme and, where relevant, deciding individual member cases.
- Have, to the degree that is appropriate for the purposes of enabling the individual to properly exercise his or her functions as a Trustee, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment of the assets within occupational pension schemes.

To help achieve the above, each Trustee is also expected to ensure that he or she meets the Pension Regulator's (TPR) Trustee Knowledge and Understanding requirements. This includes completing TPR's Trustee Toolkit. The Trustee Toolkit is an online learning program aimed at trustees of occupational pension schemes. It contains modules and resources on the law relating to pensions and trusts, and the principles relating to the funding and investment of occupational pension schemes. It is designed to help trustees meet the minimum level of knowledge and understanding required under the Pensions Act 2004.

At the time of publication of this Statement, each of the Trustees are up to date with the Toolkit modules relating to the DC section of the Scheme. In addition, three of the Trustees obtained the PMI Award in Trusteeship in 2020.

The Trustees employ a range of advisers (as disclosed in the Scheme's Annual Report & Accounts) to provide advice and to ensure that Scheme governance, controls, skills, and knowledge are current and meeting the expectations of Regulators and Scheme members. The Trustee meetings held in the period of this Statement were attended by the Scheme's advisers. Bespoke training and advice delivered as part of the business at these meetings is incorporated by the Trustees into the decision-making processes. This includes current and potential upcoming changes in pension legislation, regulation and industry best practice that affect the Scheme.

A trustee training log is maintained and Trustee 'conflicts of interest' are a standing item at each Trustees meeting.

Overall, the Trustees believe their degree of knowledge and understanding is appropriate for the purposes of enabling them to properly exercise their functions as trustees of the Scheme

Summary

The Trustees of the Scheme continuously review the service standards being provided by the Scheme.

The Trustees appreciate that low cost does not necessarily mean better value, so in doing so they have also reviewed a range of benefits such as quality of customer service, member communication and support (including the ability for active members to view and manage their pension online, along with access to educational and planning tools), the efficiency of administration services, robustness of scheme governance, fund management and performance of the funds in the context of the investment objectives.

The Trustees also regularly monitor the investment charges including transaction costs borne by members, including how the Scheme's costs compare to similar and alternative pension schemes.

It is our view that the Scheme represents Value for Members and the Trustees attach their Value for Members assessment and statement for the Scheme.

What do you need to do next?

This Statement is for information, and you do not need to take any action. If you have any questions or require any further information, you should contact Capita Pension Solutions, the Scheme's administrators, in the first instance.

Signed for and on behalf of the Trustees of the Scheme by Matthew Searle in my capacity as Chair of the Trustees'.

.....

Matthew Searle

Chair of the Trustees for the Scheme

Date:

Appendix A - Value for Members Assessment and Statement

Value for Members Assessment

To assess the Scheme in terms of whether and how it represents value for money for members, the Trustees have considered the following evidence:

- Statement of Investment Principles.
- Investment monitoring reports provided by the Trustees investment managers.
- Regular investment reports provided by the Trustees investment consultant.
- Quarterly Administration reports from the Scheme's administrator.
- Member communications, both generally and following implementation of any proposed changes.
- Member access to online account management.
- Minutes of Trustees meetings.
- Trustees Risk Register and Training Log.
- The content of this Statement

Also, the Trustees have taken into account the following considerations and decisions:

1. The costs of the Scheme are predominantly borne by the Employer, leaving only investment costs which are borne by members (the Total Expense Ratio (TER), including Annual Management Charges (AMCs), and ongoing transaction costs). Details of these charges are set out in Appendix B.
2. The Annual Management Charges applicable to the funds that comprise the default investment strategy and all funds available on a self-select basis disclosed in Appendices C and D, fall significantly below the Charge Control cap of 0.75%.
3. The investment costs borne by Scheme members compare favourably with that of similar Schemes and investment strategies.
4. The investment choices offered to Scheme members are subject to regular review. These were last reviewed in 2014 and 2019.
5. The Trustees have gained an understanding of the nature and 'needs' of Scheme members by carrying out analysis of the Scheme's demographic profile. This combined with Scheme 'experience' in terms of the actual benefit outcomes selected by members and future expectations, has been used to inform the design of an appropriate portfolio of 'member centric' investment options.
6. Furthermore, this analysis, along with the Trustees' broad knowledge of the membership is used to inform targeted member communications as and when required. The Trustees are comfortable that its investment design, twinned with access to relevant member communications, ensures that ongoing appropriateness of the Scheme for its members.
7. The Trustees receive regular performance reports from their investment manager and investment consultant, which are reviewed at each meeting of the Trustees.
8. Members can manage their pension accounts online. This provides real time access to fund values, investment performance and options and a range of information, support, and guidance to enable

members to make informed decisions regarding their pension planning.

9. The Trustees ensure ongoing communications and engagement activities provide sufficient information, learning and engagement activities to encourage members to make changes to their investment options, if this is an appropriate course of action to suit their circumstances.
10. The Trustees regularly monitor the administration performance including, but not limited to, the processing of the core financial transactions.

The Trustees have also taken in to account the Pensions Regulator's Code of Practice No.13 (Governance and administration of occupational trust-based schemes providing money purchase benefits (DC benefits)).

Costs borne by members

The Trustees have obtained details from LGIM of ongoing charges and transaction costs that applied (or may have potentially applied) to the investment funds available to members. Actual and potential transaction costs disclosed by LGIM include (but may not be limited to):

- Broker commission
- Transaction taxes
- Implicit costs
- Entry/exit charges
- Other transaction costs
- Indirect transaction taxes
- Indirect broker commission
- Indirect implicit costs
- Indirect entry/exit charges
- Indirect other transaction costs
- Indirect transaction costs - external funds
- Anti-dilution offset
- Indirect anti-dilution offset

Details of the ongoing charges and transaction costs disclosed by LGIM, are set out in Appendices C and D, and Appendix E shows the cumulative effect of costs and charges on member funds.

Costs borne by the employer

Other than the investment and transaction costs outlined above and as set out in Appendices C and D, running costs applicable to the Scheme are borne by the employer which are not allocated to members and therefore have no bearing on member charging. The Trustees believe that the Value for Members of the Scheme is positively affected by this position. Costs borne by the employer include, but are not limited to:

1. Administration costs
2. Cost of running the Trust Board
3. Cost of advice (Employee Benefit Consultants, legal costs, investment adviser costs other advice)

Value for Members Statement

There is no legal definition of “good value” and so the process of determining good value for members is a subjective one. The Trustees also note that value for money does not necessarily mean the lowest fees or costs, and the overall service and quality of the service received has also been considered in this assessment.

The Trustees believe the scheme could be regarded as representing good value for Scheme members. The reasons for this are based on the evidence listed above and include, but are not limited to, the following:

- Prior to the closure of the scheme to the build-up of future benefits on 31 May 2020, the DC benefits provided within the Scheme were offered within a ‘hybrid’ structure. Members earning over the Scheme Earnings Cap (which was £55,359) accrued DC benefits on their salary that exceeded that amount.
- The oversight and governance of the Trustees, including ensuring the Scheme is compliant with relevant legislation (such as the charge cap) and holding regular meetings to monitor the Scheme and address any material issues that may impact members.
- The Trustees are comfortable with the quality and efficiency of the administration processes, including processing of financial transactions.
- The Trustees broad knowledge of the membership of the Scheme is used to inform targeted member communication campaigns as and when required. The Trustee is comfortable that its investment design, twinned with access to relevant member communications, ensures the ongoing appropriateness of the scheme for its members.
- Members have online access to their pension benefits. This provides information about their benefits and scheme options and allows for a number of member driven options to be processed online, including investment switches.
- Members of the Scheme pay investment charges (represented by an AMC), with the employer bearing most of the cost of running the Scheme.
- The AMC borne by members compares favourably with Government Charge Controls and vary depending upon the fund invested in.
- The fund charges are competitive for the types of funds available to members.
- Appointed Investment managers and investment returns are assessed by the Trustee in liaison with their investment advisers on a quarterly basis, using performance reports prepared by the Trustee’s investment adviser.
- The Trustees ensure ongoing communications and engagement activities provide ample information, learning and engagement activities to encourage scheme members to make changes to their investment options, if this is an appropriate course of action to suit their circumstances.

Whilst the Trustees are of the opinion that the current Scheme represents value for members, as highlighted within the ‘Outcome of the Scheme Review’ section of this statement the Trustees agreed and subsequently made a transfer on a bulk basis of members’ DC and AVC funds to the MTDCS arrangement. This decision is viewed as being in the best long-term interests of the members and will provide strong governance in the face of ever-increasing legislative requirements and a greater range of investments within the platform.

Appendix B

Canon Retirement Benefits Scheme for the United Kingdom

Defined Contribution Section

Statement of Investment Principles – September 2020

Introduction

The Trustees of Canon Retirement benefits Scheme for the United Kingdom ('the Scheme') have drawn up this Statement of Investment Principles ('the Statement') to comply with the requirements of the Pensions Act 1995, the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018 and 2019. The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. In preparing this Statement the Trustees have consulted Canon (UK) Ltd (the "Employer") on the Trustees' investment principles.

Governance

The Trustees of the Scheme make all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of investment managers. The process for making investment decisions is as follows:

- Identify appropriate investment objectives
- Agree the level of risk consistent with meeting the objectives
- Implement an investment strategy and investment manager structure in line with the level of risk and objectives agreed

When making such decisions, and when appropriate, the Trustees take proper written advice. The Trustees' investment consultants, Capita Employee Solutions, are qualified by their ability in and practical experience of financial matters and have the appropriate knowledge and experience.

Investment Objectives

The Trustees recognise that their ultimate objective is to best ensure that members of the Scheme are able to retire on a reasonable level of benefits taking into account the contributions paid into their individual accounts and the timescale over which those contributions were paid.

The Trustees also recognise that individual members have different investment needs and that these may change during the course of their working lives. They also recognise that members have differing attitudes to risk.

Hence, the Trustees have in place a range of investment options that they believe will achieve good returns consistent with the level of risk chosen by the member.

Risk Management and Measurement

The Trustees are aware of and pay close attention to a range of risks inherent in investing the assets of the Scheme. The Trustees recognise that the key risk is that members will have insufficient income in retirement or an income that does not meet their expectations. The Trustees' policy in respect of risk measurement methods and risk management processes is set out below.

- The Trustees recognise the risks that may arise from the lack of diversification of investments. The Trustees therefore aim to ensure that there is a sufficient range of funds to enable members to diversify their investments across different asset classes as well as within each asset class. The Default Lifestyle Strategy also seeks to ensure an adequately diversified portfolio.
- Due to the size of the Scheme's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles.
- The documents governing the Investment Manager's appointment include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme.
- The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled vehicles.
- Annuity price risk (the risk that changes in annuity rates have a negative impact on a member's income in retirement) is mitigated through the use of long dated government bond (gilt) funds in the period leading up to retirement.
- Inflation risk in the period leading up to retirement is mitigated through the use of a long dated index-linked gilt fund in the period leading up to retirement.
- The Trustees recognise that the use of active management involves a risk that the assets do not achieve the expected return. For this reason and to reduce management costs, investments are predominantly passive towards the end of the lifestyle arrangement. However, where passive

management is not possible or where the Trustees believe that this risk may be outweighed by the potential gains from successful active management, actively managed funds may be used.

Should there be a material change in the Scheme's circumstances, the Trustees will review whether the current risk profile remains appropriate.

Investment Strategy

The Trustees will offer a sufficient range of funds to satisfy the risk and return combinations reasonable for most members.

To this end, the Trustees have in place a range of investment options that they believe will allow members to strike appropriate balances between long term needs for capital growth and shorter term volatility of returns, especially in the period approaching retirement.

The Trustees have designated a Default Lifestyle Strategy (see Appendix) for members who do not wish to make their own investment choices. A Lifestyle investment strategy is an automated switch facility allowing members to pre-select an investment strategy, which will move their accrued funds into lower risk investments as retirement approaches.

The Trustees have selected a range of self-select funds (see Appendix) that members who do not want the default lifestyle arrangement can opt in to.

The Default Lifestyle Strategy will be used as the default option to which a member's and the Employer's contributions will be applied. The default is used in the event that a member fails to positively make an investment decision.

Investment Mandates

The Trustees have appointed Legal & General Investment Management ('the Investment Manager') to manage the Defined Contribution assets of the Plan. The Investment Manager is regulated under the Financial Services and Markets Act 2000. All decisions about the day-to-day management of the assets have been delegated to the Investment Manager via a written agreement, including the realisation of investments.

The Trustees have a rolling contract with their Investment Manager.

The Trustees monitor the performance of their Investment Manager on a quarterly basis. This monitoring is reviewed by looking at the report produced by their Investment Manager.

The Trustees have set performance objectives, including time periods, consistent with the investment strategy set out in this statement.

Investment Manager Remuneration

The Trustees monitor the remuneration, including incentives, that is paid to their Investment Manager and how they reward their key staff who manage client funds, along with how the pay and incentives motivate employees who manage client funds.

As part of the monitoring that the Trustees carry out on a regular basis, they check that this policy is in line with their investment strategy.

Investment Manager Philosophy and Engagement

The Trustees monitor the Investment Manager's process for assessing the businesses they invest in, and whether business performance over the medium to long-term involves a holistic look beyond purely accountancy measures. The Trustees consider if the fund manager is incentivised to make decisions on a short-term basis or on a medium to long-term basis and whether this coincides with the business assessments. The Trustees are conscious of whether the Investment Manager is incentivised by the agreement with the Trustees to engage with the investee business and to what extent any engagement focuses on improving medium to long-term performance.

Investment Manager Portfolio Costs

The Trustees will monitor costs of buying, selling, lending and borrowing investments and will look to monitor the costs breakdown annually, as long as the Investment Manager provides these costs using the Cost Transparency Initiative template. The Trustees will also ensure that, where appropriate, their Investment Manager monitors the frequency of transactions and portfolio turnover. If there are any targets, then the Trustees will monitor compliance with these targets.

Environmental, Social and Governance ("ESG") Considerations

The Trustees believe that their main duty, reflected in their investment objectives, is to protect the financial interests of the Scheme's members. The Trustees believe that ESG considerations (including but not limited to climate change) and stewardship in the selection, retention and realisation of their investments is an integral part of this duty and can contribute to the generation of good investment returns. Legislation requires that the Trustees form a view of the length of time that they consider is needed for the funding of future benefits by the investments of the Scheme. The time horizon depends on the ages of each member, but in a large proportion of cases the time horizon could be over 20 years, which gives enough scope for ESG considerations to be financially material.

The Trustees have elected to invest predominantly in pooled funds and it is difficult to, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which they invest (especially where assets are managed passively). However, the Trustees will consider the manager policies in all future selections and will seek to deepen their understanding of their existing manager policies by reviewing these at least annually. The Trustees will also seek to

understand what other options might be available at their managers and in the wider market. In cases where they are dissatisfied with a manager's approach they will take this into account when reviewing them. They are also keen that all their managers are signatories of the UN Principles of Responsible Investment.

The Trustees believe that stewardship is important, through the exercising of rights (including voting rights) attaching to investments. The Trustees are keen that their managers can explain when, and by what practical methods, the managers monitor and engage with relevant persons about relevant matters in this area. The Trustees will monitor the voting being carried out by the Investment Manager and custodians on their behalf. They will do this by receiving reports from their Investment Manager which should include details of any significant votes cast and proxy services that have been used.

The Trustees are also keen that their managers are signatories of the UK Stewardship Code. This is currently the case.

The Trustees are aware that ESG and stewardship considerations involve an ongoing process of education for themselves and engagement with their investment managers. To that end they dedicate time regularly to the discussion of this topic and intend to review and renew their approach periodically with the help of their investment consultants, where required. The Trustees will review the Investment Manager's ESG policies (including the application of voting rights), in order to help ensure that suitable policies are in place.

Non-financial matters, including members' views are not taken into account.

Additional Voluntary Contributions ('AVCs')

The Scheme provides a facility for members to pay AVCs into the same range funds that their main (and the Employer's) contributions are invested.

The AVC arrangements are reviewed from time to time to ensure that the investment performance achieved is acceptable and that the investment profile of the funds remains consistent with the objectives of the Trustees and needs of the members.

Compliance with Myners' Principles

The Trustees believe that they comply with the spirit of the Myners' Principles. There may be some instances of deviation from the published 'Best Practice Guidance' on the Principles where the Trustees believe this to be justified.

Employer-Related Investments

The Trustees' policy is not to hold any employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

Fee Structures

The Investment Manager is paid a management fee on the basis of assets under management. The investment consultant is paid on a project basis, which may be a fixed fee or based on time cost, as negotiated by the Trustees in the interests of obtaining best value for the Scheme.

Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Appendix – DC Investment Arrangements

Default Lifestyle Strategy

A summary of the Default Lifestyle Strategy is as follows:

	Growth Phase	Consolidation Phase
Primary Objective	To maximise returns over the long term at an acceptable level of risk.	To manage conversion risk by progressively switching from growth phase into annuity and cash matching assets.
Purpose	To manage returns at an acceptable level of risk. To reduce the effects of potential severe economic shocks.	To transition the assets from the pre-lifestyle investment programme and secure the value of a fixed retirement income. To reduce the probability of severe losses close to retirement.
Funds	LGIM Diversified Fund LGIM Over 15 Year Gilts Index Fund LGIM Over 5 Year Index-Linked Gilts Index Fund LGIM Cash Fund	
Lifestyling	The default Lifestyle arrangement has been designed to automatically and progressively de-risk members' portfolios as the members approach retirement.	
Switching Period	5 Years	
Growth Phase – Multi-asset Growth Fund	Fund LGIM Diversified Fund	Allocation 100%
Consolidation Phase	Switch to: LGIM Over 15 Year Gilts Index Fund LGIM Over 5 Year Index-Linked Gilts Index Fund LGIM Cash Fund	37.5% 37.5% 25.0%

Self-Select Funds:

Asset class	Fund Name	Benchmark	Performance Target
Multi-Asset (Balanced)	LGIM Consensus Index Fund (<i>Passive</i>)	Composite	The Fund aims to maintain an asset distribution close to that of the CAPS Pooled Fund Balanced Funds Survey (excluding Property), with the aim of delivering long-term performance which is close to that of the average fund.
Long-Dated Gilts	LGIM Over 15 Year Gilts Index Fund (<i>Passive</i>)	FTSE A Government (Over 15 Year) Index	To track the total return of the index to within +/- 0.25% p.a. for two years in three.
Cash	LGIM Cash Fund (<i>Active</i>)	7 Day LIBID	The Fund aims to match the median return of similar funds as measured by the CAPS Pooled Pension Fund Update, without incurring excessive risk.
Multi-Asset	LGIM Diversified Fund (<i>Passive/Active</i>)	Composite	Long-term expected annualised rate of return similar to that of a developed market equity fund.
Long-dated Index-Linked Gilts	LGIM Over 5 Year Index-Linked Gilts Index Fund (<i>Passive</i>)	FTSE A Index-Linked (Over 5 Year) Index	To track the total return of the index to within +/- 0.25% p.a. for two years in three.
Global Equities	LGIM Global Equity Fixed Weights 50:50 Index Fund (<i>Passive</i>)	Composite benchmark - 50% FTSE All-Share Index and 50% Global Equity (ex UK) Composite Index	To track the total return of the index.
Corporate Bonds	LGIM Active Corporate Bond – All Stocks – Fund (<i>Active</i>)	Markit iBoxx £ Non-Gilt Index	The Fund aims to exceed the benchmark by 0.75% p.a. (before fees) over a three year rolling period.
Corporate Bonds	LGIM AAA-AA-A Corporate Bond – Over 15 Year – Index Fund (<i>Passive</i>)	Markit iBoxx £ Non-Gilts (ex-BBB) Over 15 Year Index	The Fund aims to track the performance of the iBoxx £Non-Gilts (ex-BBB) Over 15 Years Index to within +/-0.5% p.a. for two years out of three.
UK Equities	LGIM UK Equity Index Fund (<i>Passive</i>)	FTSE All-Share Index	To track the sterling total returns of the FTSE All-Share Index (including re-invested income).
Global Equities	LGIM World (ex-UK) Equity Index Fund (<i>Passive</i>)	FTSE AW - World (ex-UK) Index	To track the total return of the benchmark index to within +/-0.5% p.a. for two years in three.

Recommended Lifestyle Arrangement:

Fund / Years to Retirement	5 (and over)	4	3	2	1	0
LGIM Diversified Fund	100.0%	80.0%	60.0%	40.0%	20.0%	0.0%
LGIM Over 5 Year Index-Linked Gilts Fund		10.0%	20.0%	27.5%	32.5%	37.5%
LGIM Over 15 Year Gilt Fund		10.0%	20.0%	27.5%	32.5%	37.5%
LGIM Cash Fund				5.0%	15.0%	25.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Fund	Investment Approach	Benchmark	Fund Manager
LGIM Diversified Fund	Passive/ Active	Long-term expected annualised rate of return similar to that of a developed market equity fund	Legal & General Investment Management
LGIM Over 15 Year Gilts Index Fund	Passive	FTSE A Government (Over 15 Year) Index	Legal & General Investment Management
LGIM Over 5 Year Index-Linked Gilts Index Fund	Passive	FTSE A Index-Linked (Over 5 Year) Index	Legal & General Investment Management
LGIM Cash Fund	Active	7 day LIBID	Legal & General Investment Management

Appendix C

Charges and transaction costs for funds that comprise the default investment strategy of the Scheme for the year ending 30 September 2021

The default strategy comprises the following funds. The charges applicable to each fund can be summarised as follows:

Fund name	Annual Management Charge (AMC)	Total Ongoing Charges*	Transaction costs**
LGIM Diversified Fund	0.350%	0.316%	-0.023%
LGIM Over 5 Years Index-Linked Gilts Fund	0.100%	0.100%	0.037%
LGIM Over 15 Years Gilts Index Fund	0.100%	0.100%	0.044%
LGIM Cash Fund	0.120%	0.120%	0.006%

Notes

* Includes the AMC, plus various other expenses including index licensing fees, legal fees, administration, marketing, regulation, auditing. Due to the size and purchasing power of LGIM's index funds, the AMC and Total Ongoing Charges for some funds are effectively the same.

** Note that a negative transaction cost can refer to factors such as anti-dilution measures put in place by the manager to protect existing investors. It is effectively a 'saving' to existing members and reduces the impact of other charges. As it is an implicit, calculated cost, it would ordinarily be reflected within the unit price.

Transaction costs

Transaction costs are those incurred by fund managers as result of buying, selling, lending, or borrowing investments and are incurred in addition to the AMC and TER shown above. Note that any negative transaction costs can refer to factors such as anti-dilution measures put in place by the manager to protect existing investors. It is effectively a 'saving' to existing members and reduces the impact of other charges. As it is an implicit, calculated cost, it would ordinarily be reflected within the unit price.

Transaction costs quoted are the average cost incurred over the year as a necessary part of buying and selling. These costs have been captured using the implicit cost methodology set out in FCA rules and PRIIPs guidance. Implicit transaction costs have been calculated as the difference between the price at which a deal was struck and the price of the instrument at previous market close. This is consistent with the implicit cost calculation methods allowable prior to 2018 under PRIIPS guidance, which allows firms to assume there is no intra-day data available.

For any transactions occurring in the year, the arrival price of each trade will be captured and used to calculate the implicit transaction cost ('slippage cost'). The arrival price of a trade is the mid-market price of an asset at the time the order is placed in the market.

Indirect transaction costs have been calculated assuming a static fund structure as of 30 September 2021.

For any funds which hold an investment managed by a third party, the transaction costs provided by the third-party manager are represented as an indirect external fund transaction cost. Where transaction cost information was not made available by the third party, transaction costs incurred by the externally managed fund have not been included.

Charges & transaction costs have been provided by Legal & General Investment Management Limited.

Appendix D

Charges and transaction costs for all funds under the Scheme including funds that comprise the default investment strategy which members are able to select and in which assets relating to members are invested during the scheme year ending 30 September 2021

Charges and transaction costs for all funds that members can invest in, on a self-select basis.

Fund name	Annual Management Charge (AMC)	Total Ongoing Charges*	Transaction costs**
LGIM Diversified Fund	0.350%	0.316%	-0.023%
LGIM Over 5 Years Index-Linked Gilts Fund	0.100%	0.100%	0.037%
LGIM Over 15 Years Gilts Index Fund	0.100%	0.100%	0.044%
LGIM Cash Fund	0.120%	0.120%	0.006%
LGIM Global Equity Fixed Weights 50:50 Index Fund	0.165%	0.206%	0.011%
LGIM UK Equity Fund	0.100%	0.168%	0.007%
LGIM World (ex UK) Index Fund	0.220%	0.223%	-0.007%
LGIM Multi-Asset (formerly Consensus) Fund	0.250%	0.255%	0.015%
LGIM Active Corporate Bond - All Stocks - Fund	0.250%	0.815%	0.016%
LGIM AAA-AA-A Corporate Bond - Over 15Y - Index Fund	0.150%	0.150%	-0.024%

Please refer to Notes in Appendix C.

Appendix E

Projected Pension pot showing effect of charges and transaction costs produced in accordance with DWP guidance

Projected pension fund in today's money – we have assumed a starting value of £10,000, and a 25-year-old member, but other ages can be assessed using the following table		
	Default Strategy	
Years	Before costs and charges deducted	After costs and charges deducted
1	£10,131.00	£10,101.70
3	£10,398.17	£10,308.22
5	£10,672.39	£10,518.96
10	£11,389.99	£11,064.86
15	£12,155.83	£11,639.09
20	£12,973.18	£12,243.11
25	£13,845.48	£12,878.49
30	£14,776.43	£13,546.83
35	£15,769.98	£14,249.86
40	£16,074.99	£14,359.10

Notes (for the above and the following tables)

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. The starting pot size is assumed to be £10,000, which is approximately the average value within the scheme.
3. The salary assumption is £0, as this is a closed scheme.
4. A contribution rate of 0% has been used, given that this is a closed scheme.
5. Inflation is assumed to be 2.5% each year.

Values shown are estimates and are not guaranteed.

Appendix E (continued)

Projected Pension pot showing effect of charges and transaction costs produced in accordance with DWP guidance (continued)

Funds that members can self-select (in addition to funds that comprise the default investment strategy)

Projected pension fund in today's money		
Fund choice		
LGIM Diversified Fund (Gross Accumulation Rate = 3.81%)		
Years	Before costs and charges deducted	After costs and charges deducted
1	£10,131.00	£10,101.70
3	£10,398.17	£10,308.22
5	£10,672.39	£10,518.96
10	£11,389.99	£11,064.86
15	£12,155.83	£11,639.09
20	£12,973.18	£12,243.11
25	£13,845.48	£12,878.49
30	£14,776.43	£13,546.83
35	£15,769.98	£14,249.86
40	£16,830.33	£14,989.38

Projected pension fund in today's money		
Fund choice		
LGIM Over 5 Years Index-Linked Gilts Index Fund (Gross Accumulation Rate = 1.50%)		
Years	Before costs and charges deducted	After costs and charges deducted
1	£9,900.00	£9,886.35
3	£9,702.99	£9,662.90
5	£9,509.90	£9,444.51
10	£9,043.82	£8,919.87
15	£8,600.58	£8,424.38
20	£8,179.07	£7,956.41
25	£7,778.21	£7,514.43
30	£7,397.00	£7,097.01
35	£7,034.48	£6,702.78
40	£6,689.72	£6,330.44

Projected pension fund in today's money		
Fund choice		
LGIM Over 15 Years Gilts Index Fund (Gross Accumulation Rate = 1.50%)		
Years	Before costs and charges deducted	After costs and charges deducted
1	£9,900.00	£9,885.62
3	£9,702.99	£9,660.78
5	£9,509.90	£9,441.05
10	£9,043.82	£8,913.34
15	£8,600.58	£8,415.13
20	£8,179.07	£7,944.77
25	£7,778.21	£7,500.70
30	£7,397.00	£7,081.45
35	£7,034.48	£6,685.63
40	£6,689.72	£6,311.94

Appendix E (continued)

Projected Pension pot showing effect of charges and transaction costs produced in accordance with DWP guidance (continued)**Funds that members can self-select (in addition to funds that comprise the default investment strategy) (continued)**

Projected pension fund in today's money		
Fund choice		
LGIM Cash Fund (Gross Accumulation Rate = 1.50%)		
Years	Before costs and charges deducted	After costs and charges deducted
1	£9,900.00	£9,887.36
3	£9,702.99	£9,665.86
5	£9,509.90	£9,449.33
10	£9,043.82	£8,928.99
15	£8,600.58	£8,437.30
20	£8,179.07	£7,972.68
25	£7,778.21	£7,533.65
30	£7,397.00	£7,118.80
35	£7,034.48	£6,726.79
40	£6,689.72	£6,356.37

Projected pension fund in today's money		
Fund choice		
LGIM Global Equity Fixed Weights 50:50 Index Fund (Gross Accumulation Rate = 5.50%)		
Years	Before costs and charges deducted	After costs and charges deducted
1	£10,300.00	£10,278.27
3	£10,927.27	£10,858.27
5	£11,592.74	£11,471.00
10	£13,439.16	£13,158.38
15	£15,579.67	£15,093.97
20	£18,061.11	£17,314.29
25	£20,937.78	£19,861.21
30	£24,272.62	£22,782.79
35	£28,138.62	£26,134.13
40	£32,620.38	£29,978.46

Projected pension fund in today's money		
Fund choice		
LGIM UK Equity Index Fund (Gross Accumulation Rate = 5.5%)		
Years	Before costs and charges deducted	After costs and charges deducted
1	£10,300.00	£10,282.45
3	£10,927.27	£10,871.52
5	£11,592.74	£11,494.33
10	£13,439.16	£13,211.95
15	£15,579.67	£15,186.25
20	£18,061.11	£17,455.57
25	£20,937.78	£20,064.01
30	£24,272.62	£23,062.22
35	£28,138.62	£26,508.47
40	£32,620.38	£30,469.70

Appendix E (continued)

Projected Pension pot showing effect of charges and transaction costs produced in accordance with DWP guidance (continued)

Funds that members can self-select (in addition to funds that comprise the default investment strategy) (continued)

Projected pension fund in today's money		
Fund choice		
LGIM World (ex UK) Equity Index Fund (Gross Accumulation Rate = 5.46%)		
Years	Before costs and charges deducted	After costs and charges deducted
1	£10,296.00	£10,274.39
3	£10,914.54	£10,845.95
5	£11,570.25	£11,449.31
10	£13,387.06	£13,108.67
15	£15,489.17	£15,008.52
20	£17,921.35	£17,183.71
25	£20,735.44	£19,674.16
30	£23,991.42	£22,525.55
35	£27,758.67	£25,790.20
40	£32,117.47	£29,528.00

Projected pension fund in today's money		
Fund choice		
LGIM Multi-Asset (Formerly Consensus) Fund (Gross Accumulation Rate = 3.77%)		
Years	Before costs and charges deducted	After costs and charges deducted
1	£10,127.00	£10,099.96
3	£10,385.86	£10,302.89
5	£10,651.34	£10,509.90
10	£11,345.09	£11,045.81
15	£12,084.04	£11,609.03
20	£12,871.12	£12,200.98
25	£13,709.46	£12,823.11
30	£14,602.40	£13,476.97
35	£15,553.51	£14,164.16
40	£16,566.56	£14,886.39

Projected pension fund in today's money		
Fund choice		
LGIM Active Corporate Bond – All Stocks – Fund (Gross Accumulation Rate = 2.40%)		
Years	Before costs and charges deducted	After costs and charges deducted
1	£9,990.00	£9,906.86
3	£9,970.03	£9,723.16
5	£9,950.10	£9,542.87
10	£9,900.45	£9,106.64
15	£9,851.05	£8,690.36
20	£9,801.89	£8,293.10
25	£9,752.98	£7,914.00
30	£9,704.31	£7,552.23
35	£9,655.89	£7,207.00
40	£9,607.70	£6,877.55

Appendix E (continued)

Projected Pension pot showing effect of charges and transaction costs produced in accordance with DWP guidance (continued)**Funds that members can self-select (in addition to funds that comprise the default investment strategy) (continued)**

Projected pension fund in today's money		
Fund choice		
	LGIM AAA-AA-A Corporate Bond - Over 15Y - Index Fund (Gross Accumulation Rate = 2.32%)	
Years	Before costs and charges deducted	After costs and charges deducted
1	£9,982.00	£9,969.40
3	£9,946.10	£9,908.49
5	£9,910.32	£9,847.94
10	£9,821.45	£9,698.20
15	£9,733.38	£9,550.73
20	£9,646.09	£9,405.50
25	£9,559.59	£9,262.48
30	£9,473.86	£9,121.64
35	£9,388.90	£8,982.94
40	£9,304.71	£8,846.35