

2017 Stannah Pension Scheme - Defined Contribution ('DC') Section (the "Scheme") Chairman's Statement

Scheme year-ended 31 December 2019

This statement covers five key areas:

- The investment strategy relating to the Scheme's default option;
- The processing of Scheme financial transactions;
- Value for Money Assessment;
- Charges and transaction costs within the Scheme; and
- The Trustees' compliance with the statutory knowledge and understanding requirements.

Annual statement regarding governance

Under legislation set out in Regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the 'Administration Regulations'), as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Trustees of the 2017 Stannah Pension Scheme ('the Scheme') are required to prepare a statement on governance ('the Statement') for inclusion within the Scheme's Annual Report.

This document sets out the Statement covering the period 1 January 2019 to 31 December 2019.

Important note regarding the Covid-19 pandemic

This Chairman's Statement provides disclosures relating to the year to 31 December 2019. It therefore predates the major falls in global investment markets caused by the Covid-19 pandemic and the restrictions imposed by governments around the world aimed at combatting its spread.

Apart from triggering sharp falls in share prices, the Covid-19 pandemic has required the Trustees and their providers to activate business continuity measures since March 2020. I am pleased to confirm that all of the Scheme's operations have been maintained successfully while these measures have been deployed. All monthly contributions due to the Scheme have been paid on time by the Company. The Trustees have not experienced any service disruption from the Scheme's administrator or investment managers. More detailed disclosures on these items will be set out in next year's Chairman's Statement.

The default investment arrangement

The Scheme is used by its sponsoring employer as a Qualifying Scheme for auto-enrolment purposes. Members who join the Scheme and do not choose an investment option are placed into the default investment arrangement for the Scheme. The Trustees are responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the Scheme's default arrangement.

The aims of the default investment arrangement are detailed below:

- To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk.
- To provide a strategy that reduces investment risk relative to the benefits members are likely to take at retirement, as members approach retirement.
- To provide exposure, at retirement, to assets that are broadly appropriate for an individual planning to purchase an annuity and take a tax-free cash lump sum at retirement.

The Trustees last completed a full review of the Scheme's investment options in the 2014/2015 Scheme year (undertaken under the previous Scheme name of the "2005 Stannah Pension Scheme"), with the Trustees taking further advice from Mercer and considering various decisions over 2016. Alongside this review, the Trustees were considering the appointment of Scottish Widows (formerly Zurich) as the new platform provider. The review concluded on 1 March 2017 with finalisation of the self-select fund range. The Trustees regularly monitor the performance of the Scheme's investment options and consider if changes should be made to the Scheme's investment strategy.

The Trustees carried out a review of the default strategy and its components over the Scheme year, as at the end of the year the review was still ongoing. The review is expected to conclude in H1 2021 with any findings or changes to be noted in the Chairman's Statement for the Scheme year 2020/2021.

Following the review of the Scheme's investment strategy in Q1 2017 and in consideration of the Scheme's demographics and the new pension flexibilities, the Trustees agreed that the Scheme's default investment arrangement should continue to be a lifestyle option that targets the purchase of a level (fixed) annuity at retirement, after taking the maximum tax-free cash available (25%). The Trustees also confirmed that they retained conviction in the Newton Global Balanced Fund within the growth phase of the default investment arrangement and self-select range. However, following discussions with their advisors it was agreed to change the underlying funds used in the protection phase of the default investment arrangement. The Trustees also agreed to formally name the revised default investment arrangement as the 'Annuity Lifestyle Strategy'.

This change was implemented on 1 April 2017 for new contributions and the transfer of accumulated contributions took place in June 2017 when the transfer of assets to the Scottish Widows platform were undertaken. Under the Annuity Lifestyle Strategy, a member's Personal Account is invested in Newton's Global Balanced Fund until 5 years prior to retirement before switching to L&G's Pre-Retirement Fund and BlackRock's Sterling Liquidity Fund. The table below summarises the approach, although in practice the switches occur quarterly:

Number of years until retirement age	Assets in Global Balanced Fund (%)	Assets in Pre-Retirement Fund (%)	Assets in Sterling Liquidity Fund (%)
5	100	0	0
4	80	15	5
3	60	30	10
2	40	45	15
1	20	60	20
0	0	75	25

In order to reflect the new pension flexibilities in the Scheme's investment arrangements, the Trustees also agreed to add a new lifestyle strategy targeting full cash withdrawal at retirement as an investment option for members. It was agreed that the new option would also have a five year switching period. Lastly, the Trustees also wished to broaden the self-select fund range by introducing several new funds.

The Trustees are consider whether to add a lifestyle strategy targeting income drawdown at retirement as part of the ongoing strategy review.

These changes were also made available from April 2017 when the DC section investments moved from direct holdings in pooled funds to an investment platform provided by Scottish Widows.

The Trustees note that at the time of transition a number of additional 'technical' default arrangements were created as part of the mapping of self-select members to new underlying funds as part of the move to the investment platform. These are not defaults for the purposes of auto-enrolment and any new members will not be moved into these funds by default on joining the Scheme. The Trustees regularly monitor the performance of these funds on an ongoing basis and reviewed the suitability of the funds as part of the broader investment strategy review, last completed in Q1 2017. These funds are in scope as part of the ongoing investment strategy review due to conclude in H2 2020. The funds in question are:

- LGIM Pre-Retirement Fund, as a result of the mapping of members from the Newton Long Term Gilt Fund

- BlackRock Sterling Liquidity Fund as a result of the mapping of members from the BNY Mellon Sterling Liquidity Fund.

Prior to mapping members' investments across to the replacement funds, the Trustees took appropriate investment advice and considered these funds to be suitable for members in order to keep them in a similar type of investment fund as they were in previously and taking account of the demographics of the members invested in the funds. The Total Expense Ratios ('TERs'), which is the cost associated with the managing and operating of the funds, are below the charge cap legislation requirement of 0.75% p.a. that applies to default investment options..

In accordance with the Administration Regulations, the Trustees of the Scheme have included the latest copy of the Statement of Investment Principles ('the SIP') dated September 2019 prepared for the Scheme in compliance with Section 35 of the Pensions Act 1995 and Regulation 2/Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005. This can be found towards the end of the statement as item A, which forms part of this document.

Over the Scheme year, the Trustees and their professional advisers, Mercer Limited, review how the funds within the Scheme's default investment arrangement (and self-select fund options) have performed against the investment managers' objectives and benchmarks at each Trustees' meeting (usually twice a year) via the quarterly investment updates produced by Mercer Workplace Savings (MWS).

Requirements for processing financial transactions

As required by the Administration Regulations, the Trustees must ensure that core financial transactions are processed promptly and accurately. This includes:

- Investment of contributions paid to the Scheme;
- Transfer of members' assets into and out of the Scheme;
- Transfers of members' assets between different investment options available in the Scheme; and
- Payments from the Scheme to, or in respect of, members.

The Schedule of Contributions sets out timescales for the Company to remit monthly contributions to the Scheme in accordance with legislative requirements. However, agreed practice provides for payment of contributions in advance of these timescales. The deduction and payment of contributions is reviewed by the Company. Once received, contributions are invested in accordance with the timescales set out in the administration agreement with Scottish Widows, the Scheme Administrators.

The Trustees receive detailed quarterly administration reports produced by Scottish Widows which are reviewed by the Trustees at each of their meetings and enable the Trustees to monitor that the requirements for the processing of financial transactions are being met.

The service level agreement (SLA) with Scottish Widows sets out the approach (including timescales) regarding the transfer of members' assets into and out of the Scheme, the transfer of members' assets between different investment options available in the Scheme and payments from the Scheme to, or in respect of, members. The service level standards are reviewed periodically to ensure they remain appropriate and meet legislative requirements, further detail regarding the service level agreements can be found in item B towards the end of the statement, which forms part of this document.

Additional disclosures are required in respect of any transactions and benefit processing activity that have not been completed within the agreed timescales including the cause of the delay, the extent to which agreed timescales were breached and the proposed remedial measures. The Trustees believe that performance against core financial transactions were in line with expectations.

It is noted that over the period covered by this statement, the Trustees noted concerns regarding the performance of Scottish Widows against their SLA 6, the dealing with non-complex general enquiries. In order to remedy this a number of calls were held between the Trustees, the MWS team and Scottish Widows over Q2 2019 to help address the areas of concern. The Trustees were satisfied that the service provided had improved over the year. Despite a number of isolated issues, the Trustees were satisfied

that these were dealt with quickly by Scottish Widows, and the main concerns previously raised should no longer be problematic.

In addition to monitoring of the quarterly reporting, the Trustees also monitor the accuracy of the Scheme's common and conditional data. A summary report is received from the Scheme administrator annually. As a wider review of the Scheme administrator in general, the Trustees receive an assurance report on the administrator's internal controls. The latest report received was for the period to 31 December 2018 (published in March 2019) and noted the Independent Service Auditor's opinion that, in all material aspects, its controls were suitably designed and those tested operated effectively.

The Schedule of Contributions sets out timescales for the Company to remit monthly contributions to the Scheme within statutory timescales. The deduction and payment of contributions is reviewed by the Company. The Scheme Auditor spot checks that contributions are paid in accordance with the Schedule of Contributions.

The Trustees are satisfied that over the period covered by this statement:

- the administrator was operating appropriate procedures, checks and control;
- there have been no material administration errors in relation to processing core financial transactions; and
- all core financial transactions have been processed promptly and accurately during the Scheme year.

Charges and transaction costs

As required by legislation, the Trustees are required to report on charges and transaction costs for the investments used by the Scheme and their assessment of the extent to which the charges and costs represent value for members. The charges and transaction costs have been supplied by Scottish Widows and have been checked to ensure there is no missing transaction cost data.

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"). The TER is paid by the members and is reflected in the unit price of the funds. The stated charges includes administration and investment costs, since these are met by the members.

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 by the Scheme's fund managers to operate the fund and include costs associated with buying and selling assets within investment funds.

Following the move to the Scottish Widows investment platform (formerly Zurich), the administration services costs for the Scheme are borne by members. Members pay for administration costs (of 0.13% p.a. for all funds, except the Scottish Widows BlackRock Sterling Liquidity Fund which carries an administration cost of 0.07% p.a.) levied by Scottish Widows. These administration services costs reflect competitive terms as exclusively negotiated through Mercer Workplace Savings when the business was placed with Scottish Widows on 1 April 2017. As such, given there have been no material changes to the Scheme's high-level demographics, we believe that these costs can still be considered to be competitive.

From 1 April 2017, the total member-borne charges, inclusive of the administration charge levied by Scottish Widows, payable under the default investment arrangement varied between 0.68% p.a. and 0.24% p.a., depending on a member's age relative to their Target Retirement Date. The associated transaction costs for these arrangements ranged between 0.00% and 0.06%. It should be noted that expenses are a function of the size of the fund and will change over time.

The following table provides information on the member-borne charges for all investment options available in the Scheme, together with the administration charge. The constituent funds that make up the default Lifestyle strategy are marked with an asterisk.

Fund	Total member charge including administration charge (TER% p.a.)	Transaction Costs (%)
Scottish Widows Artemis Global Capital	1.02	0.42
Scottish Widows Baillie Gifford UK Equity	0.60	0.00
Scottish Widows BlackRock Sterling Liquidity*	0.21	0.01
Scottish Widows Legal & General 30/70 Global Equity Index Currency Hedged	0.25	0.02
Scottish Widows Legal & General Pre-Retirement*	0.25	0.00
Scottish Widows MFS Meridian Global Equity	0.83	0.03
Scottish Widows Newton Global Balanced*	0.68	0.06
Scottish Widows Newton Global Equity	0.73	0.08
Scottish Widows Schroder Diversified Growth	0.87	0.35
Scottish Widows Standard Life Corporate Bond	0.49	0.04
Scottish Widows Newton UK Equity	0.72	0.06

Source: Scottish Widows. Fees and transaction costs at 17 April 2020, costs to Scheme year end were not available.

- Transaction cost totals represent annualised transaction costs incurred by the fund manager within the underlying fund over the year. Figures do not currently contain the impact of dilution adjustments incurred at the Scottish Widows fund level when Scottish Widows deals in the underlying funds.
- A positive value represents a reduction in performance as a result of the fees. A negative transaction cost represents a gain from trading over the year but we would not anticipate this gain to be repeated on average.
- Fund managers may use different methodologies to calculate their transaction costs; therefore, overall transaction cost figures may not be directly comparable, or may exclude some elements or breakdowns of the total cost.

Reporting of Costs and Charges

Using the charges and transaction cost data provided by Scottish Widows and in accordance with regulation 23(1)(ca) of the Administration Regulations, as inserted by the 2018 Regulations, the Trustees have prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Scheme on their retirement savings pot. The statutory guidance provided has been considered when providing these examples.

The below illustration has taken into account the following elements:

- Savings pot size;
- Contributions;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

To make this representative of the membership, the Trustees have based this on the average member age of 44, using a starting pot size of £32,500 and a salary of £31,500 which are both reflective of the average for the age. It also assumes an overall contribution level of 9% per annum, the default contribution structure offered by the employer.

Projected Pot sizes in Today's Money						
	Default Lifestyle Arrangement- Most Popular (Annuity Lifestyle Strategy)		Highest Charge and Investment Return Expectation (Artemis Global Equity Fund)		Lowest Charge and Investment Return Expectation (BlackRock Sterling Liquidity)	
Year End	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	36,041	35,773	36,423	35,900	34,708	34,631
2	39,655	39,090	40,472	39,358	36,876	36,717
3	43,345	42,451	44,652	42,877	39,003	38,760
4	47,112	45,856	48,966	46,456	41,091	40,761
5	50,958	49,307	53,419	50,098	43,140	42,721
10	71,424	67,262	77,929	69,278	52,830	51,924
15	94,118	86,444	106,648	90,182	61,654	60,213
20	112,374	101,758	140,296	112,965	69,691	67,677
21	114,017	103,262	147,690	117,762	71,210	69,078

Notes:

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. Values shown are estimates and are not guaranteed. The illustrations do not indicate the likely variance and volatility in the possible outcomes from each fund.
2. The starting pot size is assumed to be £32,500.
3. Contributions of 9% are assumed from age 44 to 65 with no change to real salary (increases in line with inflation only). Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
4. Values are estimates and are not guaranteed. The members actual experience will be different.
5. The projected growth rate for each fund (these follow return guidance provided by Scottish Widows) are as follows:
 - A. Default Lifestyle Arrangement: the underlying funds have a range of -1.05% to 2.09% p.a. gross expected real return relative to inflation
 - B. Artemis Global Equity Fund (Most Expensive Fund): 3.22% p.a. gross expected real return relative to inflation
 - C. BlackRock Sterling Liquidity Fund (Lowest Expected Investment Return): -1.85% p.a. gross expected real return relative to inflation
6. The Transaction Costs relate to the actual transaction costs incurred in the Scheme year.

To illustrate the impact of charges over a member's lifetime in the Scheme, the Trustee has also provided an illustration for a young member in the Scheme. The Trustee has based this on a starting age of 17, using a starting pot size of £650 and a salary of £15,000 which are reflective for the age of the member. It also assumes an overall contribution level of 9% per annum, the default contribution structure offered by the employer.

Projected Pot sizes in Today's Money						
	Default Lifestyle Arrangement- Most Popular (Annuity Lifestyle Strategy)		Highest Charge and Investment Return Expectation (Artemis Global Equity Fund)		Lowest Charge and Investment Return Expectation (BlackRock Sterling Liquidity)	
Year End	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	2,026	2,011	2,041	2,011	1,976	1,972
2	3,432	3,391	3,476	3,396	3,278	3,267
3	4,866	4,789	4,958	4,806	4,556	4,534
4	6,331	6,205	6,487	6,239	5,810	5,776

5	7,826	7,641	8,066	7,698	7,041	6,992
10	15,782	15,109	16,755	15,379	12,861	12,702
15	24,605	23,087	26,936	23,750	18,161	17,845
20	34,388	31,610	38,865	32,874	22,988	22,476
25	45,236	40,715	52,842	42,817	27,384	26,647
30	57,264	50,443	69,219	53,655	31,387	30,403
35	70,602	60,835	88,406	65,467	35,033	33,785
40	85,391	71,936	110,889	78,340	38,353	36,831
45	99,943	82,528	137,230	92,370	41,377	39,574
48	102,689	84,637	155,159	101,387	43,060	41,087

Notes:

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. Values shown are estimates and are not guaranteed. The illustrations do not indicate the likely variance and volatility in the possible outcomes from each fund.
2. The starting pot size is assumed to be £650.
3. Contributions of 9% are assumed from age 17 to 65 with no change to real salary (increases in line with inflation only). Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
4. Values are estimates and are not guaranteed
5. The projected growth rate for each fund (these follow return guidance provided by Scottish Widows) are as follows:
 - A. Default Lifestyle Arrangement: the underlying funds have a range of -1.05% to 2.09% p.a. gross expected real return relative to inflation
 - B. Artemis Global Equity Fund (Most Expensive Fund): 3.22% p.a. gross expected real return relative to inflation
 - C. BlackRock Sterling Liquidity Fund (Lowest Expected Investment Return): -1.85% p.a. gross expected real return relative to inflation
6. The Transaction Costs relate to the actual transaction costs incurred in the Scheme year.

Value for money

The Trustees have carried out a review, dated 4 March 2020, of the extent to which the fees and charges represent value for members. The Trustees split the member fee into the investment and administration elements to check they both represented good value. In accordance with the Pensions Regulator's DC Code of Practice No. 13 (paragraphs 18-41) and with the relevant legislation, they concluded that the level of charges incurred by Scheme members provides value for money for its members.

Value for members is further augmented by their membership of the Scheme, which was further improved through the employer matched contribution scheme. Members also get the benefit of ongoing oversight and review of the fund range, the efficiency of the administration processes and the Trustees' and Company's governance of the services, and the wide-ranging support and governance of the Scheme from the Trustees, the Company and the Trustees' professional advisers.

We note that as part of the value for money assessment it was not possible to provide a meaningful assessment of transaction costs due to lack of industry standard or suitable comparison data for this purpose, the Trustee will provide a more thorough assessment of transaction costs once suitable comparison data is available. The Trustees view the costs as reasonably reflective of costs expected of various asset class and markets in which the Scheme invests.

The move to the Scottish Widows platform on the 1 April 2017, for the provision of investment platform and benefits administration services has further improved the value received by members. This has been achieved through a number of improvements including:

- A wider fund range offering enhanced choices for members on a range of asset classes;
- More competitive administration pricing for a number of funds and for the Scheme as a whole;

- Improved member communication and informational materials, including fund brochures, Scheme website and microsites containing price information, fund factsheets and online modelling tools to aid members in their investment decisions;
- Access to the Mercer Harmonise Retirement Income Service (“MHRIS”). MHRIS offers access to a holistic financial planning service at retirement, providing access to competitively priced retirement products such as annuities, flexible access drawdown, simplified retirement advice and bespoke financial planning.

Trustee Knowledge and Understanding

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustees are required to maintain an appropriate level of knowledge and understanding which enables them to properly exercise their functions and duties in relation to the Scheme.

The Trustees have measures in place to comply with the legal and regulatory requirements regarding conversance and knowledge and understanding. Details of how the conversance and knowledge and understanding requirements have been met during the period covered by this statement are set out below.

- The Trustees, with the help of their advisers, regularly consider training requirements to identify any knowledge gaps. The Trustees’ investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustees’ advisers would typically deliver training on such matters at Trustee meetings if they were material. The Trustees have undertaken ongoing training, both collectively as a group and individually to keep abreast of pension legislation and regulations and relevant developments over the Scheme year. In particular:
 - Trustees have undertaken the Regulator’s online trustee training and continue to do so as new modules are added.
 - At the meeting on 27 March 2019, the Trustees received training from their advisors regarding the requirements for the Trustees to consider financially material and non-financially material considerations including those around environmental, social and governance (ESG) factors into the Scheme statement of investment principles.
 - At the meeting on 1 October 2019, the Trustees considered a report from their advisers covering current topical issues for DC schemes including the findings of the CMA investigation into the pensions consulting industry and the requirement for Trustees to set their investment advisers “strategic objectives” against which the advisor’s performance can be measured noting the deadline of 10 December 2019.
- The Trustees have regularly reviewed their training needs to ensure that any new needs that arise are identified and that a plan is put in place to address them.
- A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date.
- The Trustees have policies for appointment of new Trustees and the Chair. These include the nomination and election processes for MNTs and cover the responsibilities associated with these including training requirements. There were no new Trustees appointed over the period covered by this statement. However post the statement period, PAN Trustees UK LLP (represented by Mr Andrew Firbank) replaced PAN Trustees Limited (represented by Mr Andrew Cheeseman) as the independent professional trustee to the Scheme.
- The Trustees have confirmed that they have sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes as well as the laws that govern pensions and trust arrangements.

The Trustees receive professional advice to support them in reviewing the performance of the Scheme and in governing the Scheme in line with the Trust Deed and Rules. The relevant skills and experience of

STATEMENT OF INVESTMENT PRINCIPLES SEPTEMBER 2019

2017 Stannah Pension Scheme

1. Introduction

1.1 This Statement has been prepared by the Trustees of the 2017 Stannah Pension Scheme (the "Scheme"). It sets out the principles governing our decisions about the investment of the Scheme's assets. We refer to this Statement when making investment decisions, to ensure that they are consistent with the principles set out in it.

1.2 This Statement is designed to meet the requirements of:

- The Pensions Act 1995 (the "Act"), as amended by the Pensions Act 2004;
- The Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015; and,
- Subsequent legislation.

This Statement has been prepared after obtaining written professional advice from Mercer (the "Investment Consultant"). The Trustee believes that the Investment Consultant meets the requirements of Section 35 (5) of the Pensions Act 1995.

1.3 This Statement provides an overview of the Scheme's investment arrangements. The Trustees have obtained advice from the Scheme's investment consultants, Mercer Limited ("Mercer"), regarding the investment policy described by this statement. The Trustees' investment powers are set out within the Scheme's governing documentation and overriding legislation. If necessary, the Trustees will take appropriate legal advice regarding the interpretation of these. We note that, according to the law, we have ultimate power and responsibility for the Scheme's investment arrangements. A copy of the Scheme's Trust Deed is available on request.

1.4 We seek to maintain a good working relationship with the sponsoring company, Stannah Lifts Holdings Limited (the "Company"), and we will discuss any proposed changes to our investment principles with the Company. However, our fiduciary obligations to Scheme members will take precedence over the Company's wishes, should these ever conflict.

1.5 We, as Trustees, believe that our investment policies and their implementation are in keeping with the Pensions Regulator's DC Code of Practice No. 13 (the "Code"). We endeavour to ensure that the features set out in the Code are present within the DC Section, but recognise that not all features will be present, in equal measure, at all times.

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- 1.6 We will review this Statement following any significant change in the Scheme's investment arrangements and, in any event, at least once every three years or sooner if required due to changes in the Scheme such as member demographics.

2. Roles and Responsibilities

2.1 The Trustees have ultimate responsibility for the investment of the Scheme's assets. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take and which to delegate, the Trustees have taken into account whether it has the appropriate training and expertise in order to take an informed decision. The Trustees have established the following decision making structure:

Trustees

- Set structures and processes for carrying out their role;
- Set investment structures and their implementation;
- Select and monitor investment advisers and fund managers;
- Set structures for implementing investment strategy;
- Select and monitor direct investments; and
- Make on-going decisions relevant to the principles of the Scheme's investment strategy.

Mercer, the investment consultant

- Advises on investment of the Scheme assets, including implementation;
- Advises on this Statement;
- Provides required training; and
- Advises the Trustees on the suitability of each fund's structure, composition and benchmark.

Scottish Widows Limited, the bundled services platform provider for the DC Section

- Operates within the terms of this Statement and the written long-term insurance contract with the Trustees;
- Provides access to a platform through which third party funds can be accessed by the Trustees, for the Scheme's members; and
- Provides pension administration services for the Scheme.

2.2 The Trustees undertake engagement activities, under the advice of the Scheme's investment consultant, with relevant persons (including investment managers and providers) about relevant matters in respect of the investments of the Scheme.

Underlying fund managers

- Responsible for the day-to-day management of the Scheme's assets invested in the funds they manage;
- Select individual investments with regard to their suitability and diversification, in line with their prospectuses and investment mandates; they have full discretion to decide whether to buy, sell or retain individual securities in accordance with these guidelines;
- Select and monitor the custodians of the investments within the pooled funds in which the Scheme invests; and
- Report to the Trustees (upon invitation) regarding the performance of those assets.

2.3 The investment managers levy a fee based on a percentage of the value of the assets under their management. Fees for the Scheme advisors are determined on a time-cost basis, with agreed fees for particular projects.

2.4 The Statement is divided into sections which the Trustees believe contain, in aggregate, the prescribed contents under the Act and subsequent legislation. Sections 3 to 5 deal with the strategic management of the Scheme's assets which is fundamentally the responsibility of the Trustees. Sections 6 to 12 deal with the day to day management of those assets (which is delegated to professional investment managers).

2.5 The Trustees are committed to maintaining the accuracy of this Statement on an on-going basis. However, their fiduciary obligations to Scheme members will take precedence over this Statement, should these ever conflict.

3. Investment Objectives and Beliefs

Defined Benefit Section

3.1 As the defined benefit section of the Scheme is closed to new entrants and the future accrual of benefits, the Trustees' primary objective is to protect the benefits accrued to date.

3.2 Following a decision by the Trustees and Company to secure the defined benefit liabilities of the Scheme, the Trustees purchased a bulk annuity policy from AEGON Trustee Solutions ("AEGON"). The policy remains in the name of the Trustees and forms part of the assets of the defined benefit section of the Scheme.

Defined Contribution Section

3.3 The Trustees' objective is to make available to members a range of investments which seek to achieve real returns on members' assets while controlling, to an acceptable level, the risks arising from the potential volatility of such investments.

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

- 3.5 The Trustees believe that members should make their own investment decisions based on their individual circumstances. However, the Trustees recognise that members may not wish or believe themselves able to make investment decisions. As such, the Trustees make available a default investment option, having considered advice from their investment consultants. The default option aims to deliver a moderate level of real return, at an acceptable level of investment risk, taking into account a typical member's varying risk profile over their working lifetime. The aims and policies regarding the default investment option are set out in section 5.3.
- 3.6 The Trustees also regard their duty as making available a range of other investment options to enable members to tailor their investment strategy to their own needs. The Trustees aim to make available a range of options which satisfy the needs of the majority of members whilst balancing flexibility and choice, as well as simplicity and cost control.

4. **Risk Management and Measurement**

Defined Contribution Section

- 4.1 The Trustee recognises that, under defined contribution arrangements, members bear the investment risk including, where applicable, the conversion of this accumulated sum into income in retirement, and that members' investment requirements will vary, particularly between members of different ages. The Trustee therefore provides a range of investment options (including three lifestyle strategies) which enable members to reflect in their selection of funds the level of risk they wish to take in light of their own individual circumstances.
- 4.2 The Trustees have considered risk from a number of perspectives in relation to the DC Section, including the default option. The list below is not exhaustive, but covers the main risks considered by the Trustee in formulating the policy regarding the default investment options. The Trustees believe that these risks may be financially material. These risks, how they are managed and measured are as follows:

Risk	How it is managed	How it is measured
The investment return over members' working lives will not keep pace with inflation	The Trustees provide members with a range of funds, across various asset classes, with the majority expected to keep pace with inflation (with the exception of the money market and bond funds)	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation
The range of funds made available to members is not appropriate for their needs	The Trustees make available a modest range of funds, covering key asset classes and different management styles; the Trustees aim to balance the conflicting objectives of providing an expansive range versus governing the range well	It is not possible to ascertain the appropriateness of the fund range for all members, so this risk is not explicitly measured
The investment vehicles in which monies are invested underperforms	The Trustees seek advice from their investment consultants on the suitability of investment vehicles	Considering the returns of funds relative to their

STATEMENT OF INVESTMENT PRINCIPLES

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Risk	How it is managed	How it is measured
the expectation of the Trustees	and aim to invest in funds that are highly rated by their investment consultant, based on forward-looking expectations of meeting objectives	benchmarks and stated targets/objectives
Relative market movements in the years just prior to retirement lead to substantial reduction in the benefits received	The Trustees offer lifestyle strategies, one of which is the default investment option for the Scheme, which automatically switches member assets into less risky investments (relative to the targeted form of benefits) as they approach retirement, in order to reduce the risk of a substantial fall in the value of the targeted benefits near to retirement	Considering the returns of the funds used within the switching phase of the lifestyle strategies both in absolute terms as well as relative to the targeted benefits
Investment in overseas markets will be affected by changes in exchange rates leading to lower returns in pound sterling terms (e.g. due to appreciation of pound sterling relative to overseas currencies)	The Trustees provide investment options that invest in local markets as well as overseas markets	Considering the movements in foreign currencies relative to pound sterling
The pooled funds through which the Trustees allow members to invest, do not provide the required level of liquidity	The Trustees access daily dealt and daily priced pooled funds through a unit-linked insurance contract from Scottish Widows	The pricing and dealing terms of the funds underlying the unit-linked insurance contract
The investment profile of the default investment option is unsuitable for the requirements of some members	The Trustees provide a range of self-select options that span different asset classes and risk characteristics. The Trustees also seek to ensure that the objectives of the default option are clearly communicated to members.	It is not possible to ascertain the suitability of all members investing in the default investment option, so this risk is not explicitly measured
Environmental, Social and Corporate Governance Risk	The risk that environmental, social or corporate governance concerns have a financially material impact on the return of the Plan's assets.	See section 12 below for the Trustee's responsible investment and corporate governance statement.

The Trustee also consider the following market risks;

Type of Risk	Description	How is the risk managed and measured?	
Market Risk	Inflation Risk	The risk that the investment return over members' working lives will not keep pace with inflation.	The Trustee makes available a range of funds, across various asset classes, with the majority expected to keep pace with or exceed inflation over the long term.
	Currency Risk	The risk that fluctuations in foreign exchange rates will cause the sterling value of overseas investments to fluctuate.	Members are able to set their own investment allocations, in line with their risk tolerances.
	Credit Risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	During the growth phase of the default option, members are invested in an allocation which is expected to grow their pension savings in excess of inflation.
	Equity, property and other price risk	The risk that investment market movements lead to a substantial reduction in the market value of investments.	Within active funds, management of many of these risks is the responsibility of the investment manager. The Trustee considers fund performance, including that of the default investment option, on a quarterly basis.

The Trustees believe that the investment objectives, beliefs and risks outlined above are in relation to what the Trustee considers financially material considerations. The Trustee believes the appropriate time horizon for which to assess these considerations is based on individual member's horizons, and are dependent on member age and target retirement dates. In designing the default lifestyle option and the Trustees have considered the proximity to target retirement dates when designing the strategy.

4.3 The Trustees also use a further number of methods to manage these risks.

- The Trustees receive regular reports from their investment consultants and monitor the returns achieved by the pooled funds managed by the investment managers, relative to the respective benchmarks. The Trustees will ensure relative returns are consistent with those expected and that excessive risk levels are not taken to achieve these returns.
- The Trustees will continue to monitor the range of funds offered by the Scheme to ensure they remain appropriate given members' needs of real investment returns. The Trustees will look to ensure members of all risk profiles are catered for within the Scheme's investment arrangements.

- 4.4 Should the Scheme's circumstances alter in a material way, the Trustees will review whether and to what extent the Scheme's investment arrangements should be altered; in particular, whether the risk profile of the current investment options remains appropriate.

5. Investment Strategy

Defined Benefit Section

- 5.1 Following the purchase of the AEGON bulk annuity policy, the remaining Scheme assets are invested in the Legal & General Investment Management ("L&G") Cash Fund. The Trustees expect that investing the Scheme's remaining defined benefit assets in this fund should help to protect the capital value of these assets.

Defined Contribution Section

- 5.2 The Trustees offer two types of options to members, lifestyle options (the default investment option) and self-select options (in which members can choose to invest in any combination of the selection of funds offered).

5.3 *Default Investment Option*

The Scheme's default lifestyle strategy, the Annuity Lifestyle Strategy, currently invests in funds managed by Newton Investment Managers ("Newton"), L&G and BlackRock Advisors UK Limited ("BlackRock"). It invests in the Newton Global Balanced Fund until 5 years prior to retirement before switching to the L&G Pre-Retirement Fund and the BlackRock Sterling Liquidity Fund. The table below summarises the approach, although in practice the switches occur monthly:

Number of Years until retirement age	Assets in Newton Global Balanced Fund (%)	Assets in L&G Pre-Retirement Fund (%)	Assets in BlackRock Sterling Liquidity Fund (%)
5	100	0	0
4	80	15	5
3	60	30	10
2	40	45	15
1	20	60	20
0	0	75	25

The Annuity Lifestyle Strategy is the default option for members who have not expressed an investment choice. It is aimed at members who are likely to purchase a fixed annuity (75%) and withdraw cash (25%) at retirement.

Typically, a proportion of members will actively choose the default option because they feel it is most appropriate for them. However, the vast majority of members invested in the default option have not made an active investment decision.

Taking into account the demographics of the Scheme's membership and the Trustees' views of how the membership will take their benefits at retirement, the Trustees believe

that the current default investment option is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Scheme's demographic or investment policy, if sooner.

The aims of the default option, and the ways in which the Trustees seek to achieve these aims are detailed below:

- To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk.

The default option's growth phase invests in equities, property, bonds and cash (through the Newton Global Balanced Fund). These investments are expected to provide a real return over the long term with some downside protection (relative to a 100% equity strategy).

- To provide a strategy that reduces investment risk relative to the benefits members are likely to take at retirement, as members approach retirement.

As a member's pot grows, investment risk will have greater impact on member outcomes. Therefore, the Trustees believe that a strategy that seeks to reduce investment risk as the member approaches retirement is appropriate. Moreover, the Trustees believe that the majority of members in the DC Section who are enrolled in the default option will purchase an annuity at retirement, so the lifestyle strategy is designed to provide some protection of the amount of pension a member can buy in the form of an annuity, in the lead up to retirement.

In view of the above, the Trustees consider the level of risk within the default option in the context of the variability of returns relative to annuity prices and cash rates.

The lifestyle strategy therefore aims to reduce volatility and provide some protection against changing annuity prices as a member approaches retirement via automated lifestyle switches over the five-year period to a member's selected retirement date. Investments are switched into the (25%) BlackRock Sterling Liquidity Fund (for members to take tax-free cash) and (75%) L&G Pre-Retirement Fund (to reduce investment risk and preserve annuity purchasing power).

- To provide exposure, at retirement, to assets that are broadly appropriate for an individual planning to purchase an annuity and take a tax-free cash lump sum at retirement.

At the member's selected retirement date, 25% of member's assets will be invested in the BlackRock Sterling Liquidity Fund and 75% in the L&G Pre-Retirement Fund.

The Trustees' policies in relation to the default option are detailed below:

- In addition to the Trustees' Investment Objectives and Beliefs (section 3), the Trustees believe, in order that assets are invested in the best interests of members, that:
-
- The default option manages investment risks through a diversified strategic asset allocation consisting of different types of traditional assets, through an allocation to a

“balanced” fund. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the default option, the Trustees have explicitly considered the trade-off between risk and expected returns. Any investment in derivative instruments contributes to risk reduction, or efficient portfolio management.

- The Trustees has considered the balance of investments to be held in the default investment option, including the characteristics of particular asset classes and the balance between the use of active and passive investments where appropriate.
- Assets in the default option are invested in the best interests of members and beneficiaries, taking into account the profile of the membership. Based on the Trustees’ understanding of the membership, a default option that targets annuity purchase is considered appropriate.
- Members are supported by clear communications regarding the aims of the default and the access to alternative investment approaches. If members wish to, they can opt to choose their own investment strategy on joining but also at any other future date. Moreover, members do not have to take their retirement benefits in line with those targeted by the default option; the target benefits are merely used to determine the investment strategy held pre-retirement.
- Assets in the default option are invested in daily traded pooled funds which hold highly liquid assets. The pooled funds are commingled investment vehicles which are managed by an investment manager.
- Assets in the default option are invested in a manner which aims to ensure the security, quality, liquidity and profitability of member’s savings.
- Assets are invested mainly on regulated markets and investment in derivative instruments contributes to risk reduction, or assists in the efficient portfolio management for the members.
- The selection, retention and realisation of assets within the pooled funds are delegated to the investment manager in line with the mandates of the funds. Further information regarding the Trustees’ policies on on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments is set out in section 12.

5.4 *Self-Select Investment Options*

In addition to the Trustee’s Investment Objectives and Beliefs (section 3), the Trustee has the following aims for the self-select investment options so that the assets are invested in the best interest of members:

The Trustee aims to make available a self-select investment range which serve to meet the varying investment needs, risk tolerances, return objectives and time horizons for Scheme members to choose as they see fit based on their individual risk appetite and tolerance. The risks of these options are not considered in isolation but in conjunction with expected investment returns and anticipated retirement outcomes for members.

The self-select options consist of one alternative lifestyle strategy, the Cash Lifestyle Strategy, which targets a different retirement benefit than that targeted by the default option, namely full encashment of benefits at retirement. It invests in the Newton Global Balanced Fund until 5 years prior to retirement before switching to the BlackRock Sterling Liquidity Fund. The table below summarises the approach, although in practice the switches occur monthly:

Number of Years until retirement age	Assets in Newton Global Balanced Fund (%)	Assets in BlackRock Sterling Liquidity Fund (%)
5	100	0
4	80	20
3	60	40
2	40	60
1	20	80
0	0	100

In addition, a range of individual self-select funds are offered to members, where members can choose to invest in any combination of the following below.

- Artemis Global Capital Fund
- Baillie Gifford UK Equity Fund
- L&G 30/70 Global Equity Index Currency Hedged Fund
- MFS Meridian Global Equity Fund
- Newton Global Balanced Fund
- Newton UK Equity Fund
- Newton Global Equity Fund
- Schroder Diversified Growth Fund
- Standard Life Corporate Bond Fund
- L&G Pre-Retirement Fund
- BlackRock Sterling Liquidity Fund

Members can also combine investments in self-select funds alongside investments in a lifestyle strategy. Members can choose their investment options when they join the Scheme and also change them at any date in the future.

The Trustee believes that the self-select options available offer varying risk/return profiles and risks are managed by the members. In designing the available fund range, the Trustee has explicitly considered the trade-off between risk and expected returns.

Assets in the self-select investment options are invested in a manner which aims to ensure the security, quality, liquidity and profitability of member’s savings.

Assets are invested mainly on regulated markets and investment in derivative instruments contributes to risk reduction, or assists in the efficient portfolio management for the members.

5.5 General guidelines for the funds mentioned above are provided in Section 7.

5.6 The Trustees keep the default strategy and the investment funds offered under regular review, at least every three years and without delay after any significant change in investment policy or the demographic profile of relevant members, to ensure they remain appropriate for meeting the Scheme’s objectives set out in Section 3 and controlling the risks identified in Section 4 for the membership as a whole. This Statement will be updated following any significant revisions to the investment strategy for the DC Section. The performance of the default strategy is reviewed on a quarterly basis by the Trustees.

5.7 Additional default arrangements

In accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Scheme has identified the investment options listed in the table below as ‘default arrangements’ (as defined by these regulations) in addition to the current default investment option in which new members are directed.

These have been identified as ‘additional default arrangements’ as members’ accrued funds and contributions have been automatically directed to these funds without members having instructed the Trustees where their contributions are to be invested, these are not default arrangements for the purposes of auto-enrolment.

Fund	Previous Arrangement	Reason for identification as a ‘default arrangement’
LGIM Pre-Retirement Fund	Newton Long Gilt Fund	These defaults were created when funds were mapped to the Scottish Widows Limited Platform (previously Zurich) as part of the transition of the Scheme assets to the platform in H1 2017
BlackRock Sterling Liquidity Fund	BNY Mellon Sterling Liquidity Fund	

Prior to mapping members’ investments across to the replacement funds, the Trustees took appropriate investment advice and considered these funds to be suitable for members in order to keep them in a similar type of investment fund as they were in previously and taking account of the demographics of the members invested in the funds. The Total Expense Ratios (‘TERs’), which is the cost associated with the managing and operating of the funds, are below the charge cap legislation requirement of 0.75% p.a. that applies to default investment options.

The aims of the additional default arrangements and the ways in which the Trustees seek to achieve these aims are detailed below.

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Fund	Aim and Objective	Primary Investments Held	Expected Risk and Return
LGIM Pre-Retirement Fund	invests in fixed income securities and aims to broadly match the changes in the prices of fixed annuities.	This fund primarily invests in bonds (government and corporate)	Reduce investment risk relative to equity markets and preserve annuity purchasing power through matching changes in the prices of annuity
BlackRock Sterling Liquidity Fund	invests in a range of UK short-term money market investments and aims to provide a positive return across all market conditions, with an emphasis on capital preservation.	This fund generally invests in highly rated short term debt instruments, where the risk of loss of capital is significantly lower than with other classes.	The aim of the fund is to achieve a competitive cash return over time with low risk. It is not expected to produce returns that exceed inflation.

The Trustees' policies in relation to the additional default arrangements are detailed below:

- To provide members with a fund that is a suitable replacement for one that was removed from the Scheme.
- Assets in these additional default arrangements are invested in daily traded pooled funds which hold highly liquid assets. The pooled funds are commingled investment vehicles which are managed by an investment manager. The selection, retention and realisation of assets within the pooled funds are delegated to the investment manager in line with the mandates of the funds. Likewise, the investment manager has full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments.
- The performance of these funds are monitored quarterly, with a strategic review being carried out at least triennially since falling under the categorisation of a 'default arrangement'.
- Risks associated with these investments have been considered in line with the defined contribution section of the Risk Management and Measurement section of this document (Section 4.1).

6. **Expected Return**

Defined Benefit Section

- 6.1 The L&G Cash Fund aims to provide capital protection with growth at short term interest rates. The Trustees expect that the L&G Cash Fund will, over the long term, generate returns in line with that of its performance target.

Defined Contribution Section

- 6.2 The Trustees expect that each of the underlying investment funds available to members will, over the long term, generate returns in line with their respective performance targets.
- 6.3 It is members' decisions to determine the balance between different kinds of investments they hold. This balance will determine the expected return on members' assets and should be related to the members' own risk appetite and tolerances.

6.4

7. **Day to day management of the assets**

Main Assets

- 7.1 Day-to-day management of the assets is delegated to professional investment managers who are all regulated by the Financial Conduct Authority (the "FCA").
- 7.2 The investment managers have full discretion to buy and sell investments on behalf of the Scheme, subject to the constraints of their respective mandates. The Trustees invest the assets of the Scheme in pooled fund arrangements with
- L&G;
 - Newton;
 - BlackRock;
 - Artemis Investment Management;
 - Baillie Gifford & Co.;
 - MFS International (UK) Limited;
 - Schroder Investment Management; and
 - Standard Life Investments.
- 7.3 The investment managers have been selected for their expertise in the different specialisations and manage investments for the Scheme in each pooled fund to a specific mandate, which includes performance objectives, risk parameters, and timescales over which their performance will be measured.

Defined Benefit Section

7.4 L&G Cash Fund

The portfolio managers of the L&G Cash Fund must comply at all times with the rules governing the management of collective investment schemes set by the regulator, the FCA.

Within this framework, L&G also impose a set of internal restrictions, which are commensurate with the objectives of the Fund and nature of the unit holders. These self-imposed restrictions may be subject to change.

Defined Contribution Section

7.5 General guidelines for each of the funds are provided below:

Artemis Global Capital Fund – the fund aims to achieve capital growth from a diversified portfolio investing in any economic sector in any part of the world.

Benchmark: MSCI All Country World Index

Target: To outperform the benchmark by 5% p.a. over a market cycle.

Baillie Gifford UK Equity Fund – the fund aims to achieve above average total returns by investing in UK equities (stocks normally listed on the London Stock Exchange).

Benchmark: FTSE All-Share

Target: To outperform the benchmark by 1% – 1.5% p.a. (before fees) over rolling 3-year periods.

L&G 30/70 Global Equity Index Currency Hedged Fund – the fund aims to capture the total returns of the UK and overseas equity markets in line with the FTSE All-Share Index in the UK and the FTSE All-World (ex-UK) Index. The fund aims to maintain a fixed 30/70 weighting between UK and overseas assets. A total of 75% of the overseas assets will be currency hedged to sterling (£), this will exclude assets priced in emerging market currencies.

Benchmark: 30% FTSE All-Share Index, 70% FTSE All-World (ex-UK) Index (with 75% of developed overseas currency exposure hedged to sterling)

Target: To capture the total returns of the benchmark, within an acceptable tolerance.

MFS Meridian Global Equity Fund – the fund aims to achieve capital appreciation, measured in US dollars.

Benchmark: MSCI World Index

Target: To outperform the benchmark by 2% p.a. over a market cycle.

Newton Global Balanced Fund – the fund seeks to implement a balanced investment strategy, with an emphasis on equities, but also invests in bonds, property and cash.

Benchmark: 37.5% FTSE All Share, 37.5% FTSE World (ex-UK), 20% FTSE Government All Stocks and 5% LIBID 7 day cash

Target: To outperform the comparative index by 1% - 2% p.a. over rolling 5 year periods.

Newton UK Equity Fund – this aims to provide a return by investing in UK companies.

The fund will primarily invest in larger companies and may invest in fixed interest and convertible securities as well as ordinary shares.

Benchmark: FTSE All-Share Index

Target: To outperform the benchmark by 1% - 2% p.a. over rolling 5 year periods.

Newton Global Equity Fund – this aims to achieve long term growth by investing in stocks and shares, quoted on major stock markets around the world. The fund may also invest in collective investment schemes.

Benchmark: MSCI AC World

Target: To outperform the benchmark by 2% p.a. over rolling 5 year periods.

Schroder Diversified Growth Fund – the fund aims to exceed Retail Price Inflation over an interest rate cycle through investing in a wide range and variety of assets.

Benchmark: UK Retail Price Inflation

Target: To outperform the benchmark by 5% p.a. over an economic cycle, typically a five year period, but this is not guaranteed.

Standard Life Corporate Bond Fund – the fund aims to provide long term growth mainly from the reinvestment of income generated by investing predominantly in Sterling denominated corporate bonds. The fund is actively managed and may also invest a proportion of assets in other bonds (e.g. overseas bonds and gilts) and/or money market instruments to try to take advantage of opportunities they have identified.

Benchmark: Merrill Lynch Sterling UK Non-Gilt All-stocks index

Target: To outperform the benchmark by 0.8% p.a. over a rolling market cycle.

L&G Pre-Retirement Fund – the fund aims to invest in assets that reflect the investments underlying a typical non-inflation linked pension annuity product

Benchmark: Composite benchmark

Target: To capture the total returns of the composite benchmark, within an acceptable tolerance.

BlackRock Sterling Liquidity Fund – the fund aims to achieve an investment that is in line with wholesale money market short-term interest rates.

Benchmark: Seven Day LIBID

Target: To outperform the benchmark before fees.

- 7.6 As the assets of the Scheme are invested in pooled fund vehicles the investment restrictions applying to these funds are determined by the investment manager. The Trustees are satisfied that the spread of assets by type and the investment managers' policies on investing in individual securities within each asset class provides adequate diversification of investments.

8. **Other Assets**

- 8.1 Assets in respect of members' AVCs are held in one of the above funds available under the Defined Contribution Section.
- 8.2 Working cash balances are held separately.

9. Investment Manager Fees

- 9.1 The table below details the total expense ratio ("TER") charged for each fund available used within the Scheme:

Fund	TER
L&G Cash Fund	0.125% p.a. plus £1,500 fixed fee p.a.
Artemis Global Capital Fund	1.020% p.a.
Baillie Gifford UK Equity Fund	0.600% p.a.
L&G 30/70 Global Equity Index Currency Hedged Fund	0.253% p.a.
MFS Meridian Global Equity Fund	0.830% p.a.
Newton Global Balanced Fund	0.680% p.a.
Newton UK Equity Fund	0.720% p.a.
Newton Global Equity Fund	0.730% p.a.
Schroder Diversified Growth Fund	0.870% p.a.
Standard Life Corporate Bond Fund	0.493% p.a.
L&G Pre-Retirement Fund	0.245% p.a.
BlackRock Sterling Liquidity Fund	0.210% p.a.

Source: Scottish Widows, L&G. TERs as at August 2019.

10. Realisation of Investments

- 10.1 In general, the Scheme's investment managers have discretion in the timing and realisation of investments and in considerations relating to the liquidity of those investments.

11. Choosing Investments

The Trustee considers the investment objectives and policies when choosing investments either for the self-select range or for inclusion within the default investment option. The Trustee receives written advice from their Investment Consultant on any investments prior to them being implemented. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

12. Socially Responsible Investment and Corporate Governance

- 12.1 The Trustee believes that environmental (including climate change), social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees note that each of the categories of environmental, social and corporate governance can be viewed independently and grouping these together is to a certain extent may not be appropriate. The Trustees believe it is their duty to the members to ensure that assets are invested within certain boundaries of prudence which informs the policy of to invest in sustainable assets in the long term.

- 12.2 When making investment decisions, the Trustees will consider the widest set of information available to them to help identify potentially material financial issues, however the responsibility of implementation will lie with investment managers.
- 12.3 The Trustee expects the underlying managers to evaluate ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. Equity managers registered with the appropriate regulator are expected to report on their adherence to the UK Stewardship Code on an annual basis.
- 12.4 As a result, the Trustee has given the Investment Managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Scheme's investments.
- 12.5 The Trustee considers how ESG, climate change and stewardship is integrated within investment processes of new investment managers and monitoring of existing investment managers. Monitoring is undertaken on a regular basis through consideration of ESG ratings provided by the advisors. The Trustees have also undertaken an explicit review of the managers in the default investment option and have confirmed that the managers process contains a reasonable level of ESG oversight within the bounds of a sustainable investment approach.
- 12.6 The Trustee keeps the topic of corporate governance and responsible investment under periodic review and will review this policy regularly to ensure that the policy is applicable, appropriate and in line with expectations of the majority of the membership. The Trustees believe that their current approach is aligned with members best interests.
- 12.7 Non-financial matters refer to the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impacts of investments and the future quality of life of members.
- 12.8 The Trustee has not sought member views in informing the policy regarding the selection, retention and realisation of investments. This position is reviewed periodically in line with the wider review of the policy on corporate governance and responsible investment.
- 12.9 These policies relating to responsible investment, corporate governance and non-financial matters are applicable to both the default investment option and all other arrangements within the DC section including the self-select fund range options.
13. **Monitoring the Investment Managers**
- 13.1 The Trustees aim to meet each investment management organisation regularly to review the investment manager actions together with the reasons for and background behind the investment performance. Mercer has been retained as investment consultant to assist the Trustees in fulfilling their responsibility for monitoring the investment managers.

14. Compliance with this Statement

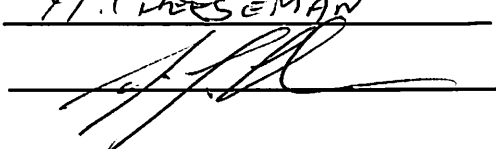
14.1 The Trustees will monitor compliance with this Statement annually and will undertake to advise the investment managers and other related parties promptly and in writing of any material change to this Statement.

15. Review of this Statement

15.1 The Trustees will review this Statement at least every three years or in response to any material changes to any aspects of the Scheme and the attitude to risk of the Trustees and the Company which they judge to have a bearing on the principles set out in this Statement.

15.2 Any such review will again be based on written, expert investment advice and will be in consultation with the Company.

Signed on behalf of the Trustees of the 2017 Stannah Pension Scheme.

Name: A. ROSEMAN Date: 19-9-2019
Signed: 

Item B – Scheme Administrator Service Level Agreements

The Trustee has an administration agreement in place with Scottish Widows through the Mercer Workplace Savings platform. The administration agreement sets out the service standards expected of Scottish Widows and if Scottish Widows fall short of these standards then financial penalties are in place until the situation is rectified.

The expected service standards are:

SLA	Description	Target Service Level (%)	Description
2	Website Availability	99.5	Scottish Widows shall ensure that the Website is available to Users during the hours of 0800 and 1730 on Business Days.
3	Documentation	97.0	Scottish Widows shall provide electronic access to policy documentation held within the portal library to members within two (2) Business Days of receipt of all required new joiner details submitted in an electronic format from either the Client or a Member. Hard copies where issued will be issued within five (5) Business days of receipt of all required new joiner details submitted in hard copy format.
4	Contribution Processing	100.0	Subject to the completion of the longest delayed dealing cycle, Scottish Widows shall process regular contributions and allocate to Member policies within two (2) Business Days of receipt of the validated contribution schedule and reconciled payment.
5	Investment Transactions	97.0	Scottish Widows shall action investment transaction (switches, redirections and single contributions where appropriate) requests from Members or Trustees within three (3) Business Days from the date of receipt of complete instructions.
6	General Enquiries	97.0	Scottish Widows shall respond to non-complex general enquiries from Members (such as valuations, projections, contribution statements and change of details) within five (5) Business Days of receipt of the enquiry.
7	Payments Out	97.0	Subject to the completion of the longest delayed dealing cycle, Scottish Widows shall process payments out within five (5) Business Days of receipt of the completed payment authority form and all required documentation from the authorised party. In respect of payments to Members on retirement, the period of five (5) Business Days referred to in this SLA shall commence from the normal retirement age of the retiring Member.
8	Payments In	97.0	Subject to the completion of the longest delayed dealing cycle, Scottish Widows shall issue confirmation to Members or Trustee Clients that transferred assets have been allocated as at the date of receipt of both payment and complete documentation within five (5) Business Days of receipt.
9	Complaints	0.01	Scottish Widows shall ensure that upheld complaints constitute not more than 1 in every 10,000 (0.01%) lives within the Mercer Platform book on a monthly basis.
10	Helpline	97.0	Scottish Widows shall answer all calls to the Mercer helpline during the hours of 0800 and 1730 Monday to Friday (excluding Bank/Public Holidays).

The administrator has adopted a number of processes to ensure that core transactions are carried out promptly and accurately. These include:

- Daily monitoring of bank accounts,
- A dedicated contribution processing team, and
- Two individuals checking all investment and banking transactions.