# Agility Pension Plan (“the Plan”) – 2006 Plan and LUMP sections
# Statement of Investment Principles (“the Statement”)

## 1. Scope of Statement

This Statement has been prepared in accordance with Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005).

The effective date of this Statement is 30 September 2020. The Trustee will review this Statement and the Plan’s investment strategy annually and without delay after any significant change in investment policy.

The Plan is comprised of three sections: one providing defined benefits (LUFS), a section providing Money Purchase benefits (LUMP), both of which have been closed to new members and future accrual since 2006, and the third is a Defined Contribution Section (2006 Plan). There is no cross-subsidy between the different sections. This statement relates only to the 2006 Plan and LUMP sections ("the DC Sections").

## 2. Consultations Made

The Trustee has consulted with the Employer prior to writing this Statement and will take the Employer’s comments into account when it believes it is appropriate to do so.

The Trustee is responsible for the investment strategy of the Plan. It has obtained written advice on the investment strategy appropriate for the Plan and on the preparation of this Statement. This advice is provided by its investment adviser, Aon Solutions UK Limited, who are authorised and regulated by the Financial Conduct Authority.

The Trustee has decided to implement the DC Sections' investment strategy through Aon's Delegated DC Services. Under this approach, the Trustee delegates the selection of the platform provider, available fund range and day to day management of the funds to Aon, through Aon Investments Limited ('the Manager'). The available fund range consists of a number of white-labelled blended funds. The choice of underlying managers and structure of each blended fund is delegated to the Manager.

## 3. Objectives and Policy for Securing Objectives

The Trustee’s primary objectives are:

- “asset choice” to ensure members have an appropriate choice of assets for investment; and
- “return objective” to enable members to benefit from investment in “growth” assets until they approach retirement, when they will be able to switch to “matching” assets which are more related to the purchasing cost of their income and cash in retirement.

## 4. Choosing Investments (LUMP and 2006 Plan sections)

The investment options offered to members are deemed appropriate, given the nature of the membership.

The Trustee has put in place a default arrangement, described below, in acknowledgement that some members will be unwilling (or feel unable to) make investment choices and to provide an appropriate balance between return and risk over the lifetime of a typical member. A range of alternative funds is also available to members through the Manager, so that members can tailor their investment choices to meet their requirements, if they so wish. The objectives for each of these funds are set out in the Appendix.

Day to day management of the funds including the selection of the underlying investment managers and asset allocation structure is delegated to the Manager under Aon's Delegated DC Services. The selection of stocks is delegated to the underlying investment managers used within each fund, as chosen by the Manager.

The Trustee takes professional advice when formally reviewing the investment managers and funds offered to members. This advice is taken at least every three years. The Trustee reviewed the Default Option and fund options available to members in 2019.

## 5. Balance between Different Kinds of Investments

The Trustee recognises that the key source of financial risk (in relation to members meeting their objectives) normally arises from the choice of funds offered to members. The Trustee therefore retains responsibility for the investment fund options made available to the membership and takes expert advice as required from its professional advisers.

Three distinct asset allocation strategies are offered to members, which target different benefits at retirement, namely drawdown, annuity purchase and cash. These asset allocation strategies are offered through a target date fund structure, namely the Aon Managed Retirement Pathway Fund series. Details of the three asset allocation strategies are provided in the Appendix. For members who do not wish to make an active decision regarding the investment of their assets, a Default Option has been put in place following consideration of the Plan membership, the risks associated with investment and after taking advice from Aon Solutions Limited. Furthermore, as the 2006 Plan is being used for auto-enrolment purposes, the Trustee is required to designate a default arrangement into which members are invested. The Default Option that applies is as follows:

- For all new entrants and those members who had not already started de-risking into bonds and cash as at April 2016, the Default Option is the Aon Managed Retirement Pathway Fund series, which assumes members draw down income at retirement.

- For those members who had already started de-risking into bonds and cash as at April 2016, the Default Option is the Aon Managed Retirement Pathway to Annuity Fund series, which assumes members purchase an annuity at retirement.

Each member is allocated to the relevant Retirement Pathway Fund with a target date that most closely matches their selected retirement date. The switching of assets between the different underlying funds used within each asset allocation strategy is carried out within each target date fund.

Each asset allocation strategy aims to provide members with the potential for higher levels of growth during the accumulation of their retirement savings through exposure to growth assets including equities, and then to gradually diversify their investments in the years approaching retirement, to reduce volatility and to provide a broad base of assets from which members can choose the type of benefits they wish to take.

In setting the three asset allocation strategies, the Trustee has reviewed the extent to which the return on investments (after deduction of any charges relation to those investments) is consistent with the objectives of the strategy, which is broadly to provide an appropriate risk/return profile given the needs of members. The Trustee has also considered analysis of the existing membership of the DC Sections, including considerations of factors such as age, contribution rates and term to retirement.

The Trustee regularly reviews the appropriateness of the three asset allocation strategies, taking into account any significant changes in the demographic profile of the relevant members, and may make changes from time to time. Members are advised accordingly of any changes.

Whilst the Trustee retains responsibility for choosing the funds made available to members, it is the individual member's responsibility to:

- choose which specific funds they invest in, either by choosing the Default Option, one of the alternative asset allocation strategies, or by following their own investment strategy;
- monitor the performance of their own investments; and
- review the ongoing appropriateness of their chosen funds in light of their own individual circumstances.

## 6. Investment Risk Measurement and Management

**The main areas of risk with this type of arrangement are as follows:**

- **Market fluctuations** – where unit linked policies are used, the value of assets allocated for member benefits may fluctuate with the movement in the underlying asset values. This means that, at a member's retirement, there is the possibility that the fund will have to be realised at an inopportune time to provide retirement benefits. The DC Sections' rules allow a degree of flexibility when benefit payments may start, helping to mitigate the risk of a member having to take benefits at an inopportune time.

  For those members invested in one of the three asset allocation strategies, members' funds will automatically be switched into lower risk funds, as described in the Appendix, as they approach retirement, with the aim of reducing market volatility. Where members are making their own investment choices, it should be noted that the risk profile of the members' assets will be affected by their choice of funds, and that the range of funds that is available includes funds that are aimed at offering relative security as retirement approaches.

- **Annuity purchase risk** – the rates applied when pension funds are used to buy annuities may be more expensive than anticipated and the more expensive annuity rates could coincide with a time when retirement funds have lost value due to market fluctuations, as described above. Again, the DC Sections' rules allow flexibility in the timing of when benefit payments may start for a member, to help reduce the impact of this risk. For those members invested in the asset allocation strategy targeting annuity purchase, members' funds will automatically be switched into bonds and cash as they near retirement, with the aim of protecting the value of the benefits that will be provided.

- **Inflation risk** – the absolute return on investments, and hence the value of the pension policy, may be diminished by inflation. To help mitigate this risk, a range of funds is offered, including growth funds which aim to provide real growth (in excess of inflation) over the long term.

- **Assets may not be readily realisable** – a member may want to use asset proceeds for benefits at a time when there may be a delay in realisation. The fund options available, however, enable members to link their assets to more liquid investments as they approach retirement.

- **Manager risk** – the failure by the Manager to achieve the rate of investment return expected by the Trustee. This risk is considered by the Trustee and its advisers both upon the initial appointment of the Managers and on an ongoing basis thereafter, through quarterly investment reports prepared by its advisers.

- **Operational risk -** the risk of fraud, poor advice or acts of negligence. The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.

The Trustee recognises that investment risk is borne by the members of the DC Sections. It takes account of this in the selection and monitoring of the iManagers and the choice of funds offered to members.

The Trustee monitors the performance of the assets on a quarterly basis via investment monitoring reports prepared by its investment adviser.

The Trustee acknowledges that investment returns achieved outside the expected deviation (positive or negative) maybe an indication that the Manager is taking a higher level of risk than agreed.

The Trustee has established a separate Investment Sub-Committee to consider matters with regard to investment, including performance monitoring.

## 7. Default Fund

As the 2006 Plan is being used for auto-enrolment purposes, the Trustee is required to designate a default arrangement into which members are invested. As outlined above, the Trustee has made available a Default Option for those members of the DC Sections who do not want to make a decision with regards their investments. Further details are set out in the Appendix.

## 8. Custody

Investment in pooled funds gives the Trustee a right to the cash value of the units rather than to the underlying assets.

The managers of the pooled funds are responsible for the appointment and monitoring of the custodians of the funds. The custodians are independent of the Employer.

## 9. Expected Returns on Assets

Over the long-term the Trustee's expectations are:

- For units representing "growth" assets (UK equities, overseas equities, multi-asset funds and property) to achieve a real return (in excess of price inflation) over the long term. The Trustee considers short-term volatility in asset price behaviour to be acceptable, given the general expectation that over the long term these assets will outperform asset classes which may be regarded as matching the liabilities;

- For units representing monetary assets (UK bonds) to achieve a rate of return which is expected to be approximately in line with changes in the cost of providing fixed income annuities; and

- For units representing cash to protect the capital value of the investment and achieve a rate of return in line with money market interest rates.

Returns achieved by the Managers are assessed against performance benchmarks set by the Trustee in consultation with its advisers and Managers.

## 10. Realisation of Investments/Liquidity

The Trustee recognises that there is a risk in holding assets that cannot be easily realised should the need arise. The majority of the assets held are realisable at short notice (either through the sale of direct holdings of stocks, bonds etc. or the sale of units in pooled funds).

## 11. Social, Environmental or Ethical Considerations

In setting the investment strategy, the Trustee's primary concern is to act in the best financial interests of the Plan and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. The Trustee believes that, in order to fulfil this commitment and to protect and enhance the value of the Plan's investments, it must act as a responsible steward of the assets in which the Plan invests.

**Environmental, Social and Governance considerations**: The Trustee further acknowledges that an understanding of financially material considerations including environmental, social and corporate governance (“ESG”) factors (such as climate change) and risks related to these factors can contribute to the identification of investment opportunities and financially material risks.

As part of its delegated responsibilities, the Trustee expects the Plan's Manager and underlying investment managers to take into account corporate governance, social, and environmental considerations (including long-term risks posed by sustainability concerns including but not limited to climate change risks) in the selection, retention and realisation of investments. Any decision should not apply personal, ethical or moral judgments to these issues, but should consider the sustainability of business models that are influenced by them.

The Trustee is taking the following steps to monitor and assess ESG related risks and opportunities:

- The Trustee will have periodic training on Responsible Investment to understand how ESG factors, including climate change, could impact the Plan's assets and liabilities.

- When reviewing the investment strategy and strategic risks, the Trustee considers the implication of ESG risks, including climate change, using the available modelling tools, including deterministic scenarios.

- As part of the ongoing monitoring of the Plan's investments, the Trustee will use ESG ratings information on the underlying investment managers provided by the Plan's Manager, where relevant and available, to monitor the level of integration of ESG on a regular basis.

- The Trustee will include ESG-related risks, including climate change, on the Plan's risk register as part of ongoing risk assessment and monitoring.

**Members' views and non-financial factors**: In setting and implementing the Plan's investment strategy, the Trustee will ensure that the investments comply with the appropriate regulations, but does not explicitly take into account the views of Plan members and beneficiaries in relation to ethical views, social and environmental impact matters and present and future quality of life of the members and beneficiaries of the Plan (defined as "non-financial factors"). The Trustee will review its policy towards this at least every three years.

**Initiatives and industry collaboration:** In recognition of the commitment of the Plan's Manager to environmental, social and corporate governance issues, the Manager is a signatory of the UN Principles for Responsible Investment ("UN PRI" or the "Principles"). The Principles are a voluntary set of global best practices that aim to provide a framework for integrating environmental, social and corporate governance issues into financial analysis, investment decision-making and ownership practices. The UN PRI are voluntary and aspirational. Where consistent with their fiduciary responsibilities, the Manager will aim to pursue each of the six Principles, these being:

- Incorporating environmental, social and corporate governance issues into investment analysis and decision-making processes.
- Being active owners and incorporating environmental, social and corporate governance issues into their ownership policies and practices.
- Seeking appropriate disclosure on environmental, social and corporate governance issues by the entities in which they invest.
- Promoting acceptance and implementation of the Principles within the investment industry.
- Working together to enhance their effectiveness in implementing the Principles.
- Reporting on their activities and progress toward implementing the Principles.

The Plan's Manager has also signed up to the UK Stewardship Code. This Code aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. It sets out good practice on engagement with investee companies to which the Financial Reporting Council believes institutional investors should aspire and operates on a 'comply or explain' basis.

**Disclosure and reporting: The Trustee will report to its stakeholders on its responsible investment activities on an annual basis.**

## 12. Arrangements with the Manager

The Trustee has appointed the Manager, which it considers to be its investment manager. References in this policy to ‘underlying investment managers’ refers to those investment managers which the Manager in turn appoints to manage investments on behalf of the Trustee.

The Trustee recognises that the arrangements with the Manager, and correspondingly the underlying investment managers, are important to ensure that interests are aligned. In particular, the Trustee seeks to ensure that the Manager is incentivised to operate in a manner that generates the best long-term results for the Plan and its beneficiaries.

The Trustee receives quarterly reports and verbal updates from the Manager on various items including the default investment strategy and wider fund range, performance and longer-term positioning of the funds in which the Trustee invests. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan's objectives, and assesses the Manager over rolling three and fiveyear periods.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by the Manager, which supports the Trustee in determining the extent to which the Plan's engagement policy has been followed throughout the year.

The Trustee shares the policies, as set out in this SIP, with the Manager and requests that they review and confirm whether their approach is in alignment with the Trustee's policies.

The Trustee delegates the ongoing monitoring of underlying investment managers to the Manager. The Manager monitors the Plan's investments to consider the extent to which the investment strategy and decisions of the underlying investment managers are aligned with the investment objectives of each fund used by the Plan. This includes monitoring the extent to which the underlying investment managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

Before appointing a new fiduciary manager, the Trustee will review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where required, the Trustee will seek to amend that documentation or will express its expectations by other means (such as through a side letter, in writing, or verbally at Trustee meetings) so that there is more alignment.

The Trustee believes that having appropriate governing documentation, setting clear expectations to the Manager, and regular monitoring of the Manager's performance and investment strategy, is sufficient to incentivise the Manager to make decisions that align with the Trustee's policies and base those decisions on assessments of medium- and long-term financial and non-financial performance.

Where the Manager is considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage the Manager but could ultimately replace it where this is deemed necessary.

The Trustee has not set a duration for its arrangements with the Manager, although its continued appointment is reviewed periodically, and at least every 5 years. Similarly, there are no set durations for arrangements with the underlying asset managers that the Manager invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place.

## 13. Costs and Performance

The Trustee is aware of the importance of monitoring its Manager's total costs and the impact these costs can have on the overall value of the Plan's assets. The Trustee recognises that in addition to annual management charges, there are other costs incurred by investment managers that can increase the overall cost incurred by their investments.

The Trustee receives annual cost transparency reports from the Manager. These reports present information in line with prevailing regulatory requirements for fiduciary managers. They clearly set out on an itemised basis:

- The total amount of investment costs incurred by the Plan;
- The fees paid to the Manager;
- The fees paid to the investment managers appointed by the Manager;
- The amount of portfolio turnover costs (transaction costs) incurred by the investment managers appointed by the Manager;

    1. The Trustee defines portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the investment managers appointed by the Manager;

- Any charges incurred through the use of pooled funds (custody, admin, audit fees etc.);
- The impact of costs on the investment return achieved by the Plan.

The Trustee acknowledges that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager. The Manager monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the investment managers appointed on behalf of the Trustee.

The Trustee delegates the management of the underlying manager cost transparency relationships to the Manager, however the Trustee expects full compliance with the provision of the cost transparency disclosure templates and that the Manager reports back any non-compliance immediately.

The Trustee benefits from the economies of scale provided by the Manager in two key cost areas:

- The ability of the fiduciary manager to negotiate reduced annual management charges with the appointed investment managers;
- The ability of the fiduciary manager to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the investment managers and achieve efficiencies where possible.

**Evaluation of performance and remuneration:**

The Trustee assesses the (net of all costs) performance of the Manager over rolling three and five-year periods for both the default strategy and wider range of funds offered to members by comparing performance against benchmark and the stated investment objective. The remuneration paid to the Manager and the fees incurred by third parties appointed by the Manager are provided annually by the Manager to the Trustee. This cost information is set out alongside the performance of the Manager to provide context. The Trustee monitors these costs and performance trends over time.

## 14. Stewardship – Engagement and the Exercise of the Rights Attaching to Investments

The Trustee recognises the importance of its role as a steward of capital and the need to assess all financially material risks in its investment decision making process. This includes risks associated with climate change, as well as other ESG-related factors. To this end, the Trustee strives to maintain a high standard of governance, promotion of corporate responsibility and respect of environmental factors throughout the Plan's portfolio. The Trustee believes that doing so ultimately creates long-term financial value and reduces risk for the Plan and its beneficiaries.

The Trustee carefully reviews the Manager's approach to stewardship, and other ESG-related matters, and communicates its expectations and standards to the Manager. These standards include:

- The Trustee expects the Manager to be a signatory to the PRI.
- The Trustee expects the Manager to be a signatory to the UK Stewardship Code.
- The Trustee expects the Manager to ensure that, where appropriate, underlying asset managers use their influence as major institutional investors to exercise the Plan's rights and duties as a shareholder.
- The Trustee expects the Manager to provide adequate transparency around stewardship activities, including an annual report on the stewardship activities of the underlying managers.

The Trustee will engage with the Manager as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This will take the form of annual reporting.

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Plan, in particular where: votes were cast against management; votes against management generally were significant; votes were abstained; and voting differed from the voting policy of the underlying investment manager. Furthermore, where voting is concerned, the Trustee expects underlying investment managers to recall stock lending, as necessary, in order to carry out voting actions.

The disclosures offered for engagements should include the objectives and relevance to the fund, methods of engagement, progress and perspectives around shortcomings and outcomes to date, as well as escalation points and procedures as necessary.

The Trustee reviews the Manager's stewardship activity on an annual basis to ensure the Plan's stewardship policy is being appropriately implemented in practice. The Trustee does so to ensure that the Manager acts in a manner that is consistent with the Trustee's policies and objectives. If the Manager is found to fall short of the standards set by the Trustee, it is expected to provide satisfactory explanations as to why it is not. While the Trustee may seek to engage with the Manager if it is deemed to be falling short of its standards to reach a more sustainable position, failure to comply may result in a decision to replace it.

In line with its commitment to transparency and disclosure, the Trustee reports its responsible investment activities to the Plan's stakeholders on an annual basis within the Trustee's report and accounts.

The Trustee may engage with the Manager, who in turn is able to engage with underlying investment managers, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made. Where a significant concern is identified, the Trustee will consider, on a case by case basis, a range of methods by which it would monitor examples include via the manager, media, personal and professional dealings) and engage (examples include via the manager and directly with underlying companies) so as to bring about the best long-term outcomes for the Plan.

## 15. Additional Voluntary Contributions ("AVCs") Arrangements

In addition to the main Plan benefits, some members obtain further benefits by paying Additional Voluntary Contributions (AVCs) to the Plan. The liabilities in respect of historic AVC arrangements are equal to the value of the investments bought by the members.

From time to time the Trustee reviews the choice of investments available to members to ensure that they remain appropriate to the members' needs.

This Statement replaces the former Statement of Investment Principles which had an effective date of 21 August 2019.

| | | |
|---|---|---|
| Kim Nash | ............................................... | 24 September 2020 |
| Name (Print) | Signature | Date |
| Michael Woodmore | ............................................... | 24 September 2020 |
| Name (Print) | Signature | Date |

## Agility Pension Plan
## Appendix to Statement of Investment Principles – 2006 Plan and LUMP sections

This Appendix sets out the Trustee's current investment strategy for the 2006 Plan and the LUMP sections ("the DC Sections") and is supplementary to the Trustee's Statement of Investment Principles (the "attached Statement").

The Trustee's investment strategy has been established in order to maximise the likelihood of members achieving the primary objectives set out in the attached Statement.

The Trustee has decided to implement the DC Sections' investment strategy through Aon's Delegated DC Services. Under this approach, the Trustee delegates the selection of the platform provider, available fund range and day to day management of the funds to Aon, through Aon Investments Limited.

With effect from June 2016, the investment strategy is consistent across both the LUMP and 2006 Plan sections.

### 1. Asset Options

The table below provides details of the funds used within the DC Sections' investment strategy and, for each fund option, indicates whether it is available as an asset allocation strategy or a self-select fund option:

| Fund | Asset allocation strategy | Self-select |
|---|---|---|
| **Asset allocation strategies** | | |
| Aon Managed Retirement Pathway Funds* | ✓ | ✗ |
| Aon Managed Retirement Pathway to Annuity Funds | ✓ | ✗ |
| Aon Managed Retirements Pathway to Cash Funds | ✓ | ✗ |
| **Objective based funds** | | |
| Aon Managed Initial Growth Phase Fund | ✗ | ✓ |
| Aon Managed Diversified Asset Fund | ✗ | ✓ |
| Aon Managed Bond Phase Fund | ✗ | ✓ |
| Aon Managed Long Term Inflation Linked Fund | ✗ | ✓ |
| Aon Managed Pre-Retirement Bond Fund | ✗ | ✓ |
| Aon Managed Liquidity Fund | ✗ | ✓ |
| **Asset class based funds** | | |
| Aon Managed Property and Infrastructure Fund | ✗ | ✓ |
| HSBC Islamic Global Equity Index Fund | ✗ | ✓ |

*Default Option

## 2. Default Option and alternative asset allocation strategies

The Default Option that applies is as follows:

- For all new entrants and those members who had not already started de-risking into bonds and cash as at April 2016, the Default Option is the Aon Managed Retirement Pathway Fund series, which assumes members draw down income at retirement.

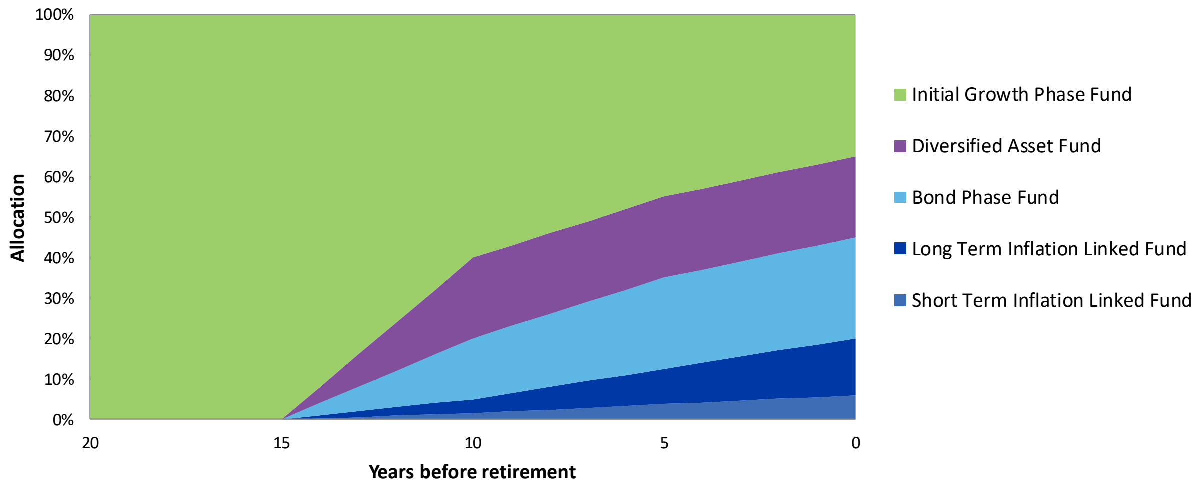
- For those members who had already started de-risking into bonds and cash as at April 2016, the Default Option is the Aon Managed Retirement Pathway to Annuity Fund series, which assumes members purchase an annuity at retirement.

The Aon Managed Retirement Pathway Fund series assume members draw down income at retirement. These are a series of target date funds and each member is invested in the relevant Retirement Pathway Fund with a target date that most closely matches their selected retirement date members. Each Retirement Pathway Fund initially invests wholly in the Aon Managed Initial Growth Phase Fund until 15 years before a member's selected retirement age. During this 'growth' phase, the Retirement Pathway Funds aim to provide real growth (in excess of inflation) over the long term.

From 15 years before a member's selected retirement age, lower risk investments are gradually introduced, including protection and income generating investments. At each Retirement Pathway Fund's target date, members' assets will be invested across a range of asset classes with the aim of providing a real income during the post-retirement phase whilst protecting the value of the investments.

The structure is summarised in the chart below:

**Aon Managed Retirement Pathway Funds: underlying asset allocation**



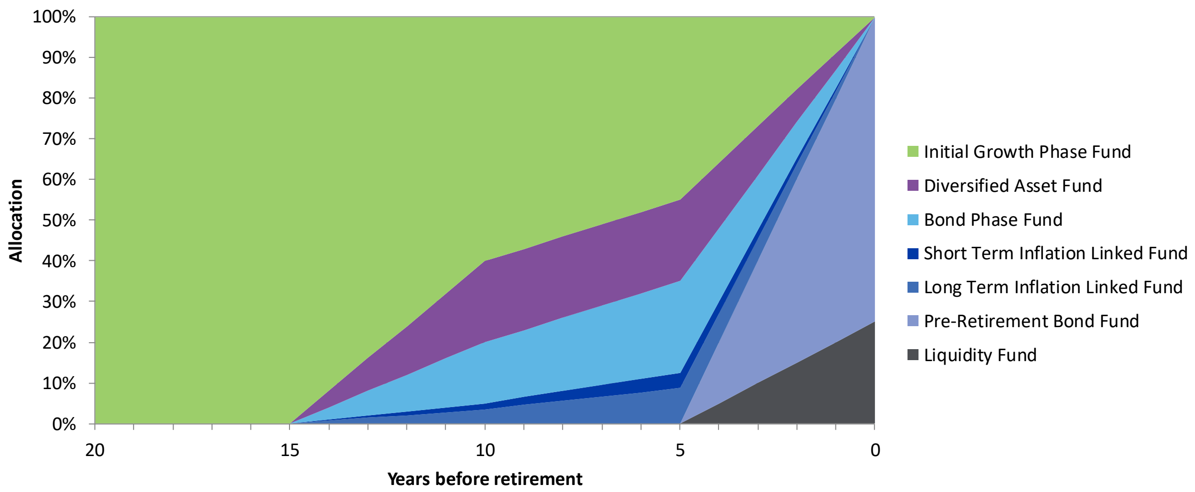

Two additional asset allocation strategies are available, alongside the Retirement Pathway Funds, which target different benefits at retirement, namely annuity purchase and cash.

The Aon Managed Retirement Pathway to Annuity Fund series works on the principle that a member electing this option will take the maximum tax-free cash sum and use the rest of their account to purchase an annuity at retirement.

Each Retirement Pathway to Annuity Fund follows the same asset allocation strategy as the Retirement Pathway Funds until five years before its target date. At this point, each Retirement Pathway to Annuity Fund is moved into lower risk assets, including annuity matching bonds and cash. At each Fund's target date, members' assets will be invested 75% in annuity matching bonds and 25% in cash, with the aim of protecting the value of the investments relative to movements in annuity prices and cash.

The structure is summarised in the chart below:

**Aon Managed Retirement Pathway to Annuity Funds: underlying asset allocation**

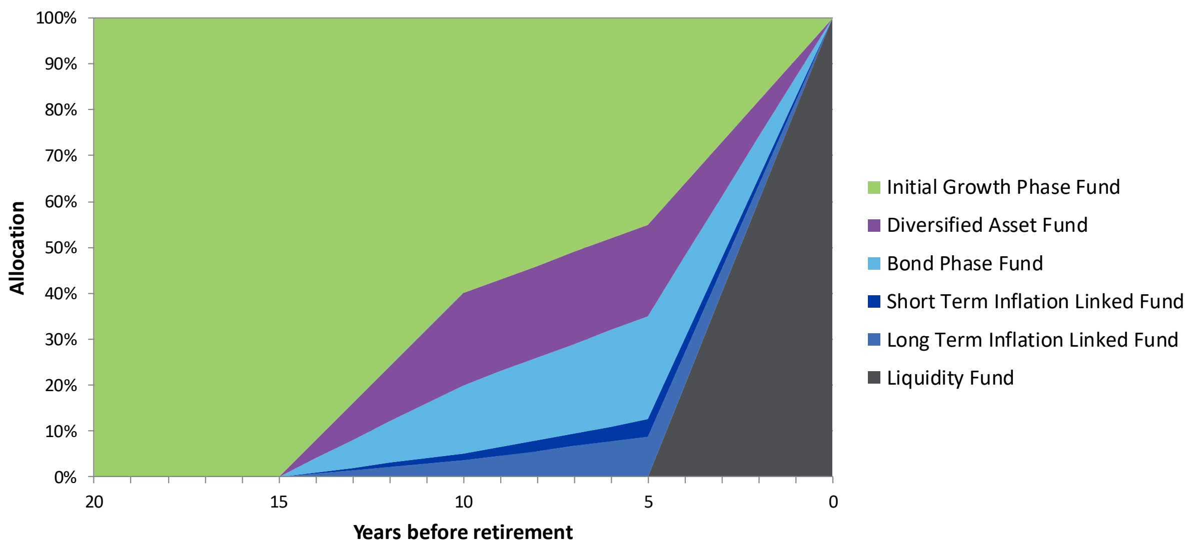



The Aon Managed Retirement Pathway to Cash Fund series works on the principle that a member electing this option will take the whole of their account as a cash lump sum at retirement

Each Retirement Pathway to Cash Fund follows the same asset allocation strategy as the Retirement Pathway Funds until five years before its target date. At this point, each Retirement Pathway to Cash Fund is moved into lower risk assets, including cash. At each Fund's target date, members' assets will be invested 100% in cash, with the aim of protecting the value of the investments relative to cash.

The structure is summarised in the chart below:

**Aon Managed Retirement Pathway to Cash Funds: underlying asset allocation**



## 3. Investment Management Arrangements

The following describes the mandates given to the investment manager within each asset class.

| Fund | Benchmark | Target |
|---|---|---|
| Aon Managed Initial Growth Phase Fund | 90% MSCI All Country World Index<br>7% FTSE EPRA/NAREIT Developed Index<br>1.5% AREF/IPD UK Quarterly all Balanced Property Funds Index<br>1.5% FTSE Developed Core Infrastructure Index | To outperform the benchmark |
| Aon Managed Diversified Asset Fund | SONIA | To outperform the benchmark by 3.25% pa, gross of fees, over a rolling market cycle |
| Aon Managed Bond Phase Fund | 50% 3-month LIBOR GBP<br>50% iBoxx Sterling Non-Gilts All Stocks Index | To outperform the benchmark by 1.5% pa over rolling three-year periods |
| Aon Managed Long Term Inflation Linked Fund | FTSE-A Over 5 Years Index-Linked Gilts Index | To perform in line with the benchmark |
| Aon Managed Pre-Retirement Bond Fund | Manager bespoke | To perform in line with the benchmark |
| Aon Managed Liquidity Fund | 7 Day LIBID Rate | To perform in line with the benchmark |
| Aon Managed Property and Infrastructure Fund | 70% FTSE EPRA/NAREIT Developed Index<br>15% AREF/IPD UK Quarterly all Balanced Property Funds Index<br>15% FTSE Developed Core Infrastructure Index | To outperform the benchmark |
| HSBC Islamic Global Equity Index Fund | Dow Jones Islamic Titans 100 Index | To perform in line with the benchmark |

## 4. Fee structure for advisers and manager

### 4.1 Advisers

The Trustee's investment advisers are paid for advice received on the basis of the time spent by the adviser. For significant areas of advice (for example large projects, such as a review of the operation of lifestyling), the Trustee will endeavour to agree a project budget.

These arrangements recognise the bespoke nature of the advice given, and that no investment decisions have been delegated to the adviser.

### 4.2 Investment manager

As at the date of the attached Statement, the Annual Management Charge (AMC), Additional Fund Expenses (AFE) and Total Expense Ratio (TER) that applies to each of the funds used by the DC Sections are set out in the table below. The AFEs are effective as at 31 March 2019. It should be noted that these figures will change from time to time as the underlying managers / structure of each of the funds change. The fee payable to Aon Investments Limited under Aon's Delegated DC Services for the management of the Delegated DC Funds is 0.15% pa; this is included in the AMCs and TERs shown below.

| Fund | AMC % pa | AFE % pa | TER % pa |
|---|---|---|---|
| **Asset allocation strategies** | | | |
| Aon Managed Retirement Pathway Funds | 0.28 | 0.03 to 0.05 | 0.31 to 0.33 |
| Aon Managed Retirement Pathway to Annuity Funds | 0.28 | 0.01 to 0.05 | 0.29 to 0.33 |
| Aon Managed Retirements Pathway to Cash Funds | 0.28 | 0.03 to 0.05 | 0.31 to 0.33 |
| **Objective based funds** | | | |
| Aon Managed Initial Growth Phase Fund | 0.26 | 0.05 | 0.31 |
| Aon Managed Diversified Asset Fund | 0.40 | 0.03 | 0.43 |
| Aon Managed Bond Phase Fund | 0.38 | 0.03 | 0.41 |
| Aon Managed Long Term Inflation Linked Fund | 0.20 | 0.00 | 0.20 |
| Aon Managed Pre-Retirement Bond Fund | 0.32 | 0.00 | 0.32 |
| Aon Managed Liquidity Fund | 0.20 | 0.03 | 0.23 |
| **Asset class based funds** | | | |
| Aon Managed Property and Infrastructure Fund | 0.48 | 0.01 | 0.49 |
| HSBC Islamic Global Equity Index Fund | 0.35 | 0.00 | 0.35 |

### 4.3 Fees for Administration

The cost of administration is borne by the Employer in respect of current employees. Deferred members pay their own administration costs which are deducted at source from the investment.

### 4.4 Payment of Investment Management charge

The investment management charges are built into the fund unit prices and hence paid by the members.

## 5. Legacy AVC funds

In addition, there are legacy AVC funds available in which some members have assets invested. These are as follows:

- Royal London unit linked polices; and
- Standard Life unit linked policies.

These funds are not available for members to select going forward.