

## **Annual Chair's Statement for the Agility Pension Plan ("the Plan")**

The Occupational Pension Scheme (Charges and Governance) Regulations 2015 require the Trustee to prepare an annual statement regarding governance, which should be included in the Annual Report.

This statement issued by the Plan covers the period from 1 January 2019 to 31 December 2019 and is signed on behalf of the Trustee by the Chair.

This statement covers governance and charge disclosures in relation to the following:

- The Default Arrangement,
- Processing of core financial transactions,
- Member borne charges and transaction costs,
- Illustrations of the effects of costs and charges,
- Value for Members assessment, and
- Trustee knowledge and understanding.

This statement covers the Defined Contribution ("DC") benefits provided by the Plan. The Plan offers DC benefits to members within the 2006 Plan, LUMP Section and via Additional Voluntary Contribution ("AVC") policies in the LUFs Section (together referred to as the "DC Sections" in this Statement). The 2006 Plan is used as a qualifying scheme for auto-enrolment purposes. The LUMP Section is closed to future accrual.

### **1. The Default arrangement**

*In relation to the 2006 Plan and the LUMP Section, the Trustee has designed a default arrangement which is kept under review. The Trustee takes account of the level of costs and the risk profile that are appropriate for the membership in light of the overall objective of the default arrangement strategy. In relation to the LUFs Section AVCs, a default arrangement is not applicable, and so these funds are excluded from the comments in this part of the statement.*

The Trustee is responsible for investment governance including setting and monitoring the investment strategy for the Plan's default arrangement. The default arrangement is provided for members who join the Plan and do not choose an investment option for their contributions. Members can also choose to invest in the default arrangement or self-select funds which are offered within the Plan.

The Trustee carried out a full review of the 2006 Plan and LUMP Sections' default investment strategy and fund range available to members on 1 April 2016 and changes were implemented in June 2016. This review considered high level analysis of the membership to identify specific groups within the overall membership and to assist with the design of the default strategy. The Trustee concluded that changes were required to the default strategy to take account of the membership analysis and in light of the new pension flexibilities. Following the review, the Trustee put in place the following default strategy:

- 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 default strategy is a series of target date funds that seek to provide an appropriate balance between expected risk and return as members move through their working lives. For the Aon Managed Retirement Pathway Funds, at each fund's target date the fund targets investment in a diversified mix of assets that is designed to be appropriate for a member requiring flexibility in retirement.

The Trustee also considered the governance model used and, following a due diligence process, agreed to use Aon's Delegated DC Services to implement the investment strategy for DC benefits provided in the 2006 Plan and LUMP Section.

The latest full review of the default strategy was undertaken during the Plan year that is being reported upon in this statement and was provided through advice papers dated 15 April 2019 and 20 May 2019 and considered and agreed at the 15 April 2019 and 29 May 2019 Investment Sub-Committee meetings.

Taking into account the advice provided to them, the Trustee felt that the default strategy was continuing to meet the needs of the membership and so the outcome of this review was that the Trustee decided to maintain the default strategy implemented in 2016 (i.e. continue using the Aon Managed Retirement Pathway Fund series and Aon Managed Retirement Pathway to Annuity Fund series, as discussed above).

However, as part of the review, the Trustee agreed to some revisions, recommended by its investment advisers, for the long-term strategy and asset allocation that is used within these funds. In particular, the revised approach:

- Establishes clear and measurable objectives for the investment strategy at different points in time, linked to inflation;
- Considers the appropriate asset allocation strategy for each cohort of members; and
- Enables past experience to be reflected within the asset allocation either by delaying de-risking or by de-risking earlier than expected.

The Trustee's investment advisers confirmed that these changes were appropriate for the Plan's membership and consistent with the aims of the Plan's default strategy, which remain unchanged, in accordance with the Plan's Statement of Investment Principles (SIP). The Trustee therefore believes that these changes will help to achieve the aims of the default strategy and ultimately lead to better member outcomes, which is a key long-term goal for the Trustee.

In addition to the above review, during the Plan year the Trustee also regularly reviewed the performance of the default strategy. This considered the return of each Aon Managed Retirement Pathway Fund against its benchmark over both short and longer time periods, as well as comparison with broader market indices. Furthermore, the Trustee reviewed any changes made by the investment manager to the underlying asset allocation and managers used within the default strategy and wider fund options available. This information was provided on a quarterly basis through investment reports provided by the investment manager and discussed at each quarterly Investment Sub-Committee meeting. Based on this review (together with member outcome analysis previously undertaken), the Trustee remains comfortable that the default strategy is performing in line with its stated objectives.

The Trustee maintains a SIP, which governs decisions about investments in the default strategy. The latest SIP, dated 21 August 2019, covering the default strategy is attached to this statement.

The next formal review of the Plan's default investment strategy is scheduled for the first quarter of 2022. This is consistent with the Trustee's business plan which targets formal triennial reviews of this strategy.

## **2. Processing of Core Financial Transactions**

*The Trustee has a specific duty to ensure that core financial transactions (including the investment of contributions, transfer of member assets into and out of the Plan, transfers between different investments within the Plan and payments to and in respect of members) relating to the DC benefits provided by the Plan are processed promptly and accurately.*

During the reporting period, these transactions were undertaken on the Trustee's behalf by the Plan's administrator, Capita, and the appointed investment managers, Aegon (previously BlackRock) through Aon's Delegated DC Services. In relation to the DC AVCs within the LUFs Section of the Plan, some core financial transactions are carried out by Royal London and Standard Life on the Trustee's behalf.

The Trustee carried out a full review of the processes and controls implemented by Capita and the appointed investment managers as part of the implementation of the changes following the 2016 investment strategy review.

There is a service level agreement in place with Capita which covers the accuracy of all core financial transactions and the timeframe within which these should be completed. The service level agreements require that 95% of cases are completed within specified timeframes which varies by activity. The processes and controls adopted by Capita to help meet the service levels agreed include daily monitoring of bank accounts, a dedicated contribution processing team, and two individuals checking all investment and banking transactions.

Following service issues with Capita across 2017 and 2018, that were reported on in last year's Chair's Statement, the Trustee made a decision to appoint a new administrator for the Plan - Barnett Waddingham. The new appointment did not take effect until 1 February 2020, meaning that over 2019 (i.e. the reporting period for this statement), Capita remained the Plan's administrator.

In previous reporting periods, the Trustee has received quarterly administration reports from Capita on key aspects of the administration, in order to monitor compliance. However, due to the service issues previously identified, and to ensure all actions required to transition the administration were being progressed, the Trustee instead held regular calls and meetings with Capita over the reporting period.

During these calls and meetings, Capita has reported on all aspects of administration, which has provided the Trustee with the information required to carry out their monitoring duties. In particular, this information has included reporting on the timescales for processing tasks and transactions, along with providing details of any breaches of the law, administrative errors or member complaints.

Based on the above, the Trustee believes that core financial transactions were processed accurately over the reporting period, although there continued to be instances where requests were not processed promptly, due to the continued service issues, as previously highlighted. The lack of timeliness in completion of administration tasks was one of the reasons why the Trustee decided to change the Plan's administrator, as they were not satisfied with Capita's performance and the service they provided to members.

As noted above, the transition to the new administration provider was completed on 1 February 2020, and this is expected to improve the Plan's administration service levels. The Trustee will be monitoring the performance of the new administrator and will provide an update on the transition in next year's Chair's Statement.

### **3. Member Borne Charges and Transaction Costs**

*The Trustee regularly monitors the level of charges borne by members through the funds. These charges comprise:*

- *express explicit charges, such as the Annual Management Charge (AMC), and additional expenses that are disclosed by the fund manager as part of the Total Expense Ratio (TER);*
- *implicit charges, such as the costs borne within the fund for activities such as buying and selling of particular securities within the fund's portfolio.*

Charges related to fund management expenses are deducted from members' funds. The level of these charges varies, depending on which particular fund (or funds) a member is invested in. The table below sets out the charges, over the reporting period, for the entire fund range offered to 2006 Plan and LUMP Section members, along with the funds available to the LUFs Section AVC members.

There are also charges associated with the cost of administering the Plan. For deferred 2006 Plan and LUMP Section members, an annual fixed administration charge of £25 is deducted from each member's fund. For current employees, the cost of administration is also a fixed annual charge of £25 per member and these costs are paid by Agility Logistics Limited. For LUFs AVC members, the AMC (see below) includes the cost of administration.

The Trustee can confirm that the default arrangements (shown below) in place for the reporting period, for both the 2006 Plan and LUMP Section, have levied a TER below the statutory maximum charge for all members.

The charges and costs borne by members over the reporting period (excluding the £25 fixed administration charge applicable for certain members, as discussed above) are set out in the table below, expressed as a percentage of fund value. The Trustee has taken into account statutory guidance when preparing this section and the presentation of the charges and costs complies with this guidance.

Fund	AMC (% p.a.)	TER (% p.a.)	Transaction costs (% p.a.)	Total charges (% p.a.)
<b>2006 Plan and LUMP Section Target Benefit Approaches (where applicable, Default Strategy Funds are noted)</b>				
Aon Managed Retirement Pathway 2034-2036 Fund & beyond (Default strategy)	0.31	0.36	0.00	0.36
Aon Managed Retirement Pathway 2031-2033 Fund (Default strategy)	0.31	0.36	0.01	0.37
Aon Managed Retirement Pathway 2028-2030 Fund (Default strategy)	0.31	0.36	0.04	0.40
Aon Managed Retirement Pathway 2025-2027 Fund (Default strategy)	0.31	0.36	0.06	0.42
Aon Managed Retirement Pathway 2022-2024 Fund (Default strategy)	0.31	0.36	0.06	0.42
Aon Managed Retirement Pathway 2019-2021 Fund (Default strategy)	0.31	0.35	0.07	0.42
Aon Managed Retirement Pathway 2016-2018 Fund (Default strategy)	0.31	0.35	0.07	0.42
Aon Managed Retirement Pathway to Annuity 2025-2027 Fund	0.31	0.36	0.01	0.37
Aon Managed Retirement Pathway to Annuity 2022-2024 Fund (Default strategy for members who had started de-risking into bonds and cash as at April 2016)	0.31	0.35	0.05	0.40
Aon Managed Retirement Pathway to Annuity 2019-2021 Fund (Default strategy for members who had started de-risking into bonds and cash as at April 2016)	0.31	0.32	0.01	0.33
Aon Managed Retirement Pathway Perpetual Annuity Fund (Previously: Aon Managed Retirement Pathway to Annuity 2016-2018 Fund) (Default strategy for members who had started de-risking into bonds and cash as at April 2016)	0.31	0.32	0.00	0.32
Aon Managed Retirement Pathway to Cash 2025-2027 Fund	0.31	0.36	0.01	0.37
Aon Managed Retirement Pathway to Cash 2022-2024 Fund	0.31	0.35	0.05	0.40
Aon Managed Retirement Pathway to Cash 2019-2021 Fund	0.31	0.34	0.02	0.36
Aon Managed Retirement Pathway to Cash 2016-2018 Fund	0.31	0.34	0.00	0.34
<b>2006 Plan and LUMP Section Self-Select Funds</b>				
Aon Managed Initial Growth Phase	0.26	0.31	0.00	0.31
Aon Managed Diversified Asset Fund (Previously: Aon Managed Progressive Growth Phase Fund) <sup>1</sup>	0.41 to 0.64	0.44 to 0.73	0.12	0.56 to 0.85
Aon Managed Bond Phase Fund	0.41 to 0.47	0.44 to 0.50	0.19	0.63 to 0.69
Aon Managed Long-Term Inflation Linked Fund	0.20	0.20	0.08	0.28
Aon Managed Pre-Retirement Bond Fund	0.32	0.32	0.00	0.32
Aon Managed Liquidity Fund	0.20	0.23	0.01	0.24
Aon Managed Property and Infrastructure Fund	0.45 to 0.48	0.46 to 0.49	0.08	0.54 to 0.57
Aegon HSBC Islamic Global Equity Index Fund	0.35	0.35	0.05	0.40

LUFS Section AVCs				
Royal London Crest Secure Fund <sup>5</sup>	1.45	1.45	0.00	1.45
Standard Life Managed Pension Fund <sup>2,4</sup>	0.44 to 0.97	0.46 to 0.99	0.16	0.62 to 1.15
Standard Life Millenium With Profits Fund <sup>2,3</sup>	0.59 to 1.12	0.59 to 1.12	0.04	0.63 to 1.16
Standard Life UK Equity Pension Fund <sup>2</sup>	0.52 to 0.62	0.53 to 0.63	0.15	0.68 to 0.78
Standard Life UK Stock Exchange Pension Fund <sup>2</sup>	0.46 to 0.60	0.49 to 0.63	0.14	0.63 to 0.77
Standard Life At Retirement (Multi-Asset Universal) Pension Fund <sup>2,4</sup>	0.55	0.59	0.22	0.81
Standard Life Pension With Profits Fund <sup>2,3</sup>	1.19 to 1.47	1.19 to 1.47	0.06	1.25 to 1.53
Standard Life European Equity Pension Fund	0.46	0.48	0.07	0.55
Standard Life Multi Asset Managed (20-60% Shares) Pension Fund <sup>2,4</sup>	0.55 to 0.97	0.57 to 0.99	0.12	0.69 to 1.11
Standard Life International Equity Pension Fund <sup>2</sup>	0.46	0.49	0.10	0.59

Notes:

1. In November 2019, the Aon Managed Progressive Growth Phase Fund was re-structured and re-named as the Aon Managed Diversified Asset Fund. Members invested in the fund will have paid charges in line with the Aon Managed Progressive Growth Phase Fund up to 29 November 2019 (e.g. a TER of 0.73% p.a.) and charges in line with the Aon Managed Diversified Asset Fund after this date (e.g. a TER of 0.44% p.a.)
2. LUFS Section members invested in the Standard Life AVC arrangement receive a monthly discount. This discount differs from member to member and is not guaranteed to be applied. We have therefore shown the range of TERs paid by members of the Standard Life AVC arrangement over the reporting period, based upon the information provided by Standard Life.
3. The charges on the Standard Life With Profits funds are not explicit and are taken into account when the annual bonus rate is declared on the funds. However, Standard Life publishes an estimate of the charges on each With Profits fund on its website and this is shown above.
4. Some members have chosen to invest in one of Standard Life's lifestyle strategies and were invested in one or more of these underlying funds as part of that strategy over the reporting period.
5. The Royal London Crest Secure Fund operates in a similar manner to a With Profits fund. The charges are not explicit and are taken into account when the interest rate on the Fund is declared. However, in December 2018, Royal London confirmed the maximum ongoing charge on this Fund would be 1.45% p.a..

#### 4. Illustrations of the effect of costs and charges

*The Trustee is required to illustrate the effect of the costs and charges typically paid by a member on their retirement values (as a "pounds and pence figure").*

The Trustee has produced the following illustrations to demonstrate the effect of the above costs and charges for investment funds and strategies representative of the Plan's membership. The Trustee has taken account of the statutory guidance when preparing these illustrations.

Members are primarily invested in the default strategy, the Aon Managed Retirement Pathway Funds. This fund aims to provide real growth (in excess of inflation) for the period up to 15 years before a member's selected retirement age. From 15 years before a member's selected retirement age, lower risk investments are gradually introduced, including protection and income generating investments.

Members are also offered two alternative pathway funds which target different benefits at retirement, namely annuity purchase and cash, plus a range of self select funds.

The tables below illustrate the effect of the costs and charges at different ages on accumulated retirement pots for two representative members. The illustrations for each member are provided based on investment in the Aon Managed Retirement Pathway Funds (the default strategy). Illustrations are also provided based on investment wholly in the Aon Managed Property and Infrastructure Fund, being one of the self-select funds with the highest ongoing charge, and the Aon

Managed Long Term Inflation Linked Fund, being one of the self-select funds with the lowest ongoing charge, to provide an indication as to the range of potential outcomes.

**Representative member 1:** For an active member aged 25 as at 31 December 2019, invested in the Aon Managed Retirement Pathway 2058-2060 Fund, the Aon Managed Property and Infrastructure Fund and the Aon Managed Long Term Inflation Linked Fund the estimated impact of charges on projected retirement values is shown below. Projections are based on an initial fund value of £1,000 and current salary of £22,000 p.a. and are shown in current money terms.

Age	Aon Managed Retirement Pathway 2058-2060 Fund (Default strategy)			Aon Managed Property and Infrastructure Fund			Aon Managed Long Term Inflation Linked Fund		
	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £
25	1,000	1,000	0	1,000	1,000	0	1,000	1,000	0
30	15,580	15,423	157	15,180	14,956	224	13,253	13,170	83
35	33,235	32,570	665	31,560	30,648	912	24,246	23,958	288
40	59,310	57,619	1,692	55,088	52,845	2,243	38,271	37,665	606
45	92,178	88,670	3,508	83,504	79,009	4,495	51,840	50,791	1,049
50	131,979	125,588	6,391	116,329	108,425	7,905	64,014	62,428	1,586
55	175,953	165,502	10,451	154,248	141,496	12,751	74,937	72,744	2,193
60	216,994	201,653	15,341	198,049	178,679	19,371	84,736	81,889	2,847
65	254,915	234,002	20,913	248,647	220,483	28,165	93,528	89,996	3,532

**Representative member 2:** For an active member aged 50 as at 31 December 2019, invested in the Aon Managed Retirement Pathway 2034-2036 Fund, the Aon Managed Property and Infrastructure Fund and the Aon Managed Long Term Inflation Linked Fund, the estimated impact of charges on projected retirement values is shown below. Projections are based on a fund value of £30,000 and current salary of £40,000 p.a. and are shown in current money terms.

Age	Aon Managed Retirement Pathway 2034-2036 Fund (Default strategy)			Aon Managed Property and Infrastructure Fund			Aon Managed Long Term Inflation Linked Fund		
	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £
50	30,000	30,000	0	30,000	30,000	0	30,000	30,000	0
55	71,816	70,826	990	70,779	69,357	1,422	58,740	58,233	507
60	116,093	113,180	2,913	117,886	113,606	4,280	84,526	83,263	1,264
65	161,036	155,258	5,778	172,302	163,354	8,947	107,661	105,451	2,210

The following assumptions have been made for the purposes of the above illustrations:

- The assumed growth rates (gross of costs and charges) are based on Aon's ten-year Capital Market Assumptions as at 31 December 2019 and are as follows:
  - Initial Growth Phase Fund 6.5% p.a.
  - Diversified Asset Fund (Previously Progressive Growth Phase Fund) 4.6% p.a.
  - Bond Phase Fund 2.4% p.a.
  - Short Term Inflation Linked Fund 0.6% p.a.
  - Long Term Inflation Linked Fund 0.3% p.a.
  - Property and Infrastructure Fund 5.5% p.a.
- Annual salary growth and inflation of 2.5% p.a.
- Future annual charges have been set in line with the TERs shown for each fund over the year to 31 December 2019. In addition, an allowance has been made for future annual transaction costs, based on the average costs reported for each fund over the last two years.
- Retirement is assumed at the normal retirement age of 65.

- For Representative member 1: Member contributions of 6%, Company contributions of 6% pensionable pay until 31 December 2029, increasing to Member contributions of 8%, Company contributions of 9% of pensionable pay thereafter.
- For Representative member 2: Member contributions of 8%, Company contributions of 9% of pensionable pay.
- The projected fund values shown are estimates for illustrative purposes only and are not guaranteed.

## 5. Value for Members assessment

*The Administration Regulations require the Trustee to make an assessment of charges and transactions costs borne by members of the DC sections and the extent to which those charges and costs represent good value for money for members.*

There is no legal definition of "good value" and the process of determining this for members is a subjective one. The Trustee appreciates that low cost does not necessarily equate to better value and so a wider range of benefits should be considered.

The Trustee has carried out an assessment of the Plan over the reporting period to consider whether good value is provided to members in terms of the benefits and services they receive given the level of charges paid.

The assessment was split into two areas:

- i. The cost side of the analysis considered the costs and charges members pay (recognising that the Company meet the majority of the costs associated with the administration and governance of the Plan), concluding that these compare well to the market in general.
- ii. The benefit side of the analysis considered the quality of the Plan with regards to:
  - Governance, which is the time spent by the Trustee in making sure that the Plan is run in compliance with the law and regulations: the Trustee considered the Plan's practices against the Pensions Regulator's expectations (as set out in the DC Code of Practice) and other industry benchmarks/surveys, concluding that the Plan compared well.
  - The administration service provided to members: as discussed in section 2, the Trustee continuously monitors the performance of the Plan's administrator and has implemented a change from 1 February 2020 to address service issues identified.
  - Investment, including the default arrangements in place as well as the wider fund range offered to members and the ongoing monitoring of the performance and suitability of those funds: the Trustee considered the Plan's practices against the Pensions Regulator's expectations (as set out in the DC Code of Practice) and other industry benchmarks/surveys, concluding that the Plan compared well.
  - The communications and support provided to members: the Trustee commissioned an independent review of the communications provided to members of the DC Sections, the results of which are due to be incorporated as part of the transition to the new administrator.

The Trustee's assessment concluded that the charges and transaction costs borne by members of the DC Sections do represent good Value for Members. In particular, the Trustee believes that the Plan is a well-run arrangement, which provides a good quality range of investments for a cost that compares favourably to the market. The Trustee does however acknowledge that the transition of the administration to a new provider (as discussed in section 2) is a key area of focus, which should lead to an improved level of service and support for members.

## 6. Trustee Knowledge and Understanding (TKU)

*Sections 247 and 248 of the Pensions Act 2004 set out the requirement for the Trustee to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 7.*

The comments in this section relate to the Trustee as a body in dealing with the whole Plan and are not restricted to the DC sections.

Over the reporting period no new Trustee Directors were appointed. The Plan does, however, have a trustee training induction process, which is followed when a new Trustee Director is appointed.

The Trustee Directors have put in place arrangements for ensuring that they take personal responsibility for keeping themselves up-to-date with relevant developments in pensions. Training logs are maintained for all Trustee Directors and at the end of the Plan year the Trustee Directors carry out a self-assessment of training needs to identify any gaps in knowledge or particular areas of focus for the following year.

All Trustee Directors have completed the Pension Regulator's Trustee toolkit and have access to an online document storage tool ("Aon Pension Organiser"), which provides them with access to copies of key Plan documents. This helps for ease of reference and ensures that all Trustee Directors have a working knowledge of the Plan's Trust Deed and Rules and other key documents relevant to the Plan's policies/practices.

Over the reporting period, amongst other things, the Trustee Directors have:

- Made decisions on specific member cases, taking into account the requirements of the Plan's Trust Deed and Rules, the Plan's policies/practices and also the wider law relating to pensions and trusts;
- Carried out regular tasks, such as completing the annual Trustee Report & Accounts, including work on the annual Chair's statement on DC governance;
- Regularly monitored the funding position of the Defined Benefit (DB) section of the Plan and considered longer-term funding targets and principles;
- Regularly monitored the investment performance of the assets held in both the DB and DC sections of the Plan;
- Put in place a new Statement of Investment Principles for the DC sections of the Plan, following a review of the DC investment strategy for 2006 Plan and LUMP Section members and also to reflect the Trustee's views on environmental, social and governance (ESG) issues;
- Put in place a new Statement of Investment Principles for the DB section of the Plan, following changes to the investments held and to reflect the Trustee's views on ESG issues;
- Received training on the DC funds used by the 2006 Plan and LUMP Section by carrying out a site visit to Aon and meeting with key representatives from the portfolio management and research teams to better understand the processes in place;
- Received training on climate change scenarios to better understand the different scenarios and the impact on the Plan's assets;



- Received training on "21<sup>st</sup> Century Trusteeship", which sets out the Pension Regulator's views on requirements and best practice for pension scheme trustees, and carried out an assessment of the Plan against this;
- Received training on cyber security and taken part in a simulated "cyber attack" to better understand how the Plan would deal with such an incident;
- Received training on how corporate activity from the sponsoring employer could impact the Plan; and
- Received regular updates on topical issues in pensions and developments in pensions legislation/regulations, to help maintain their knowledge of the law relating to pensions and trusts.

Based upon the above, the Trustee considers that it has demonstrated a working knowledge of relevant Plan documents, along with sufficient knowledge and understanding of the law relating to pensions and trusts, and the principles relating to the funding and investment of occupational pension schemes. Therefore, the Trustee considers that it has met the Pension Regulator's TKU requirements (as set out under Code of Practice No 7) during the Plan year.

The Trustee Directors have a range of skills and experiences and consist of a mixture of Member Nominated directors, Company Nominated directors and professional trustees with varying backgrounds. In addition to their own knowledge and expertise, the Trustee Directors have also engaged with their appointed professional advisers regularly throughout the year.

The Trustee Directors maintained a business plan over the year, setting out planned actions and activities. This included holding four regular Trustee meetings, as well as Investment and Governance sub-committee meetings. Ad-hoc conference calls were also held, as and when required. These meetings and calls were held with providers and advisers who provided reporting and specialist advice before asking the Trustee Directors to take relevant decisions as required. Minutes of each Trustee meeting document the information shared, advice given and decisions made.

At the end of the Plan year, the Trustee Directors carried out a self-evaluation of their performance and effectiveness, by answering a number of questions. The Chair of the Trustee collated responses and provided feedback to the Trustee Directors.

Based upon the above, the Trustee Directors believe that the Plan is well run and that the Trustee's functions have been exercised properly over the year.

Signed on behalf of the Agility Pension Plan Trustees Limited

\_\_\_\_\_ Kim Nash \_\_\_\_\_

Chairman of the Trustee

Date of signing \_\_\_\_\_ 8 July 2020 \_\_\_\_\_

## **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 21 August 2019. 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 Hewitt 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 Hewitt Risk Management Services 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 Hewitt Ltd. 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 investment 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 investment 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 investment managers 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 investment 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 investment managers are assessed against performance benchmarks set by the Trustee in consultation with its advisers and investment 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 their 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. Activism, 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 ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Trustee recognises that ultimately this protects the financial interests of the Plan and its beneficiaries.

The Trustee expects the Plan's Manager through the underlying investment managers to use their influence as major institutional investors to carry out the Trustee's rights and duties as a shareholder including voting, along with – where relevant and appropriate – engaging with underlying investee companies to promote good corporate governance, accountability, and positive change.

The Trustee regularly reviews the continuing suitability of the appointed Manager. This review includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. The Trustee will engage with its Fiduciary Manager where necessary for more information.

**13. 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 29 March 2017.

....Kim Nash.....  
Name (Print)

.....  
Signature

..21 August 2019 .....  
Date

.....Michael Woodmore.....  
Name (Print)

.....  
Signature

..21 August 2019 .....  
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 Hewitt Risk Management Services Limited (HRMSL).

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
<b>Asset allocation strategies</b>		
Aon Managed Retirement Pathway Funds*	✓	✗
Aon Managed Retirement Pathway to Annuity Funds	✓	✗
Aon Managed Retirements Pathway to Cash Funds	✓	✗
<b>Objective based funds</b>		
Aon Managed Initial Growth Phase Fund	✗	✓
Aon Managed Progressive Growth Phase Fund	✗	✓
Aon Managed Bond Phase Fund	✗	✓
Aon Managed Long Term Inflation Linked Fund	✗	✓
Aon Managed Pre-Retirement Bond Fund	✗	✓
Aon Managed Liquidity Fund	✗	✓
<b>Asset class based funds</b>		
Aon Managed Property and Infrastructure Fund	✗	✓
HSBC Islamic Global Equity Index Fund	✗	✓

\*Default Option



## 2. Default Option and alternative asset allocation strategies

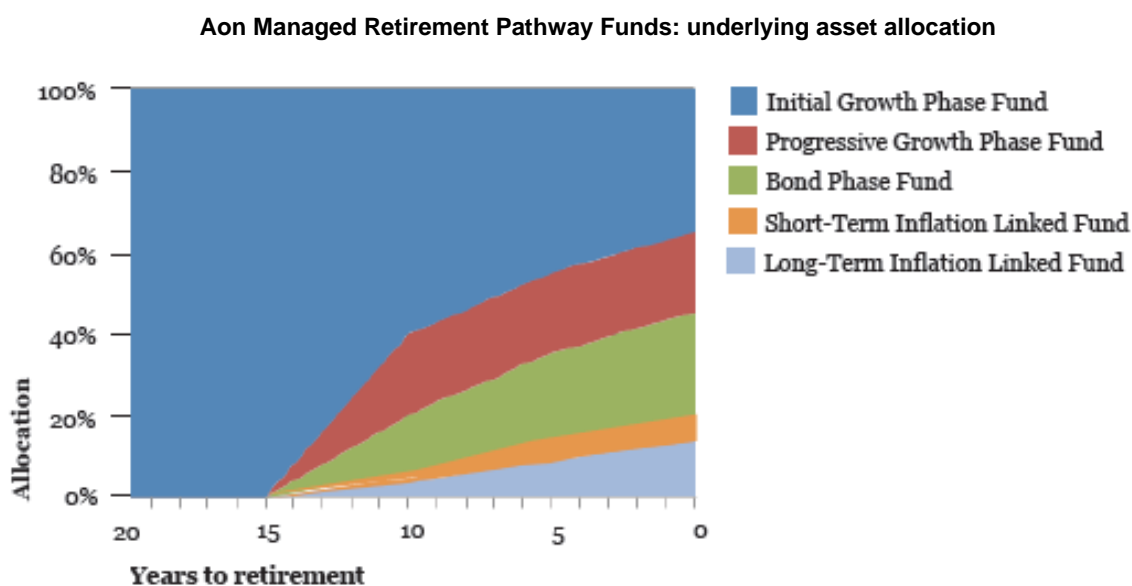
The Default Option that applies is as follows:

- 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:



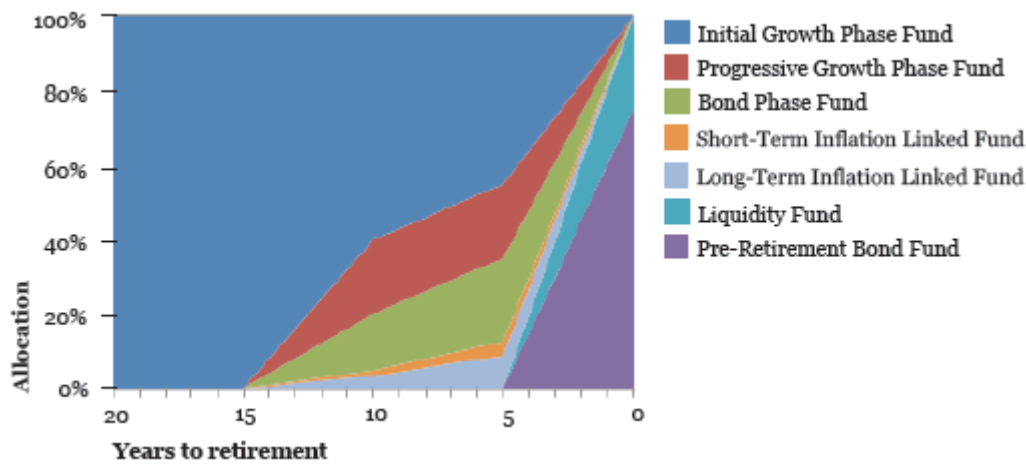
Two additional asset allocation strategies are available, alongside the Retirement Pathway Funds, which target different benefits at retirement, namely annuity purchase and cash.

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**

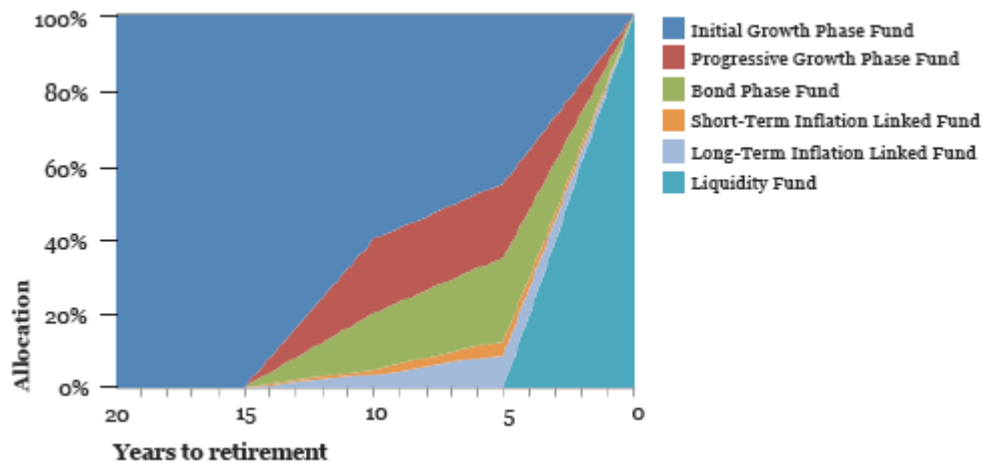


The Aon Managed Retirement Pathway to Cash Fund series works on the principle that a member electing this option will take the whole of their account as a cash lump sum at retirement

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 7% FTSE EPRA/NAREIT Developed Index 1.5% AREF/IPD UK Quarterly all Balanced Property Funds Index 1.5% FTSE Developed Core Infrastructure Index	To outperform the benchmark
Aon Managed Progressive Growth Phase Fund	3-month LIBOR GBP	To outperform the benchmark by 3.0% pa over rolling three-year periods
Aon Managed Bond Phase Fund	50% 3-month LIBOR GBP 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 15% AREF/IPD UK Quarterly all Balanced Property Funds Index 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 lifestyle), 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 20 May 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 HRMSL 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
<b>Asset allocation strategies</b>			
Aon Managed Retirement Pathway Funds	0.31	0.03 to 0.04	0.34 to 0.35
Aon Managed Retirement Pathway to Annuity Funds	0.31	0.02 to 0.04	0.33 to 0.35
Aon Managed Retirements Pathway to Cash Funds	0.31	0.03 to 0.04	0.34 to 0.35
<b>Objective based funds</b>			
Aon Managed Initial Growth Phase Fund	0.26	0.04	0.30
Aon Managed Progressive Growth Phase Fund	0.64	0.07	0.71
Aon Managed Bond Phase Fund	0.42	0.04	0.46
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
<b>Asset class based funds</b>			
Aon Managed Property and Infrastructure Fund	0.48	0.02	0.50
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 policies; and
- Standard Life unit linked policies.

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