THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE: 1 APRIL 2019 – 31 MARCH 2020

This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by subsequent legislation. It explains how the BACB Retirement and Death Benefit Plan ("the Plan") is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits (i.e. Defined Contribution Plans – DC).

Default arrangement

Members of the Plan who do not make an explicit choice regarding the investment of their funds will be invested in the default strategy arrangement chosen by the Trustees with the advice of their Investment Consultant.

In the default strategy, members are fully invested in the Passive Plus III Fund up until 10 years away from retirement. The Fund invests in a carefully selected portfolio that is mainly made up of index-tracking funds from Vanguard with the aim to deliver long-term growth. The Fund is managed to a level of risk, rather than a level of return and its portfolio is made up of c.70% equity and 30% bonds.

When members are 10 years away from retirement, their holdings are partially switched to the Pre-Retirement (Passive Plus Universal) Fund. This is a lower risk multi-asset fund which Standard Life (SL) considers to be appropriate for members who are yet to decide on which outcome they would like at retirement. Again this fund does not target a specific outcome, but rather aims to continue to provide investment growth at a lower level of risk.

4 years prior to retirement, assets begin to move into the SL At-Retirement (Passive Plus Universal) Fund so that upon reaching retirement a member is 100% invested in this fund. This fund is the lowest risk of all three funds used in the lifestyle and is designed for members who have yet to decide on how they are going to take their retirement income, or if they want to use their pot for income drawdown. Furthermore, approximately 25% of the Fund is invested in cash for those that wish to withdraw their tax-free cash lump sum.

By investing in this manner, the Trustees expect to deliver growth over the member's lifetime within the Plan without excessive risk taking, with an increased focus in the final ten years of reducing volatility to enable members approaching retirement to make financial plans for the period after retirement. The Trustees consider this approach to be in the best interests of relevant members and relevant beneficiaries.

The strategy is illustrated as follows:

In addition to the current default arrangement, some members remain invested in a legacy default lifestyle arrangement. The legacy arrangement is similar to the new default in that is uses three funds managed by SL and it gradually de-risks assets during the 10 years leading up to retirement. Up until 10 years from retirement, savings are fully invested in the SL BlackRock Managed (50:50) Global Equity Pension Fund, a passively managed equity fund which invests approximately 50% of assets into UK equities and the remaining 50% to overseas equities. Once a member is 10 years from retirement, their savings begin to move into the SL At-Retirement (Passive Plus Universal) Fund (discussed above). In the final 3 years before retirement, some savings are moved in the Standard Life Deposit and Treasury Pension Fund, a cash fund. The strategy leaves members invested in the Passive Plus Universal fund (75%) and the Standard Life Deposit and Treasury Fund (25%) upon reaching retirement. As a small proportion of the Plan's members remain invested in this arrangement, the Trustees continue to monitor this lifestyle.

During the period covered by this statement a review of the Plan's investment strategy was carried out and on 28 June 2019 and the Trustees received formal investment strategy advice from their advisors. In determining the investment strategy, the Trustees undertook extensive investigations and explicitly considered the demographics of the Plan, current pension regulations and the trade-off between risk and expected returns when establishing the balance between different kinds of investments.

The outcome of the review was that the current default strategy remains fit for purpose and as such no changes were made. The default has continued to perform in line with expectations and the level of risk taken is believed to be suitable for the Plan's members. The current "universal targeting outcome" is also appropriate for members in a default strategy as it is tailored for those who have yet to decide how they will be taking their retirement income or those who want to take a flexible income.

Our review has revealed that the returns are consistent with the aims and objectives mentioned above. We have considered the impact of performance on different groups of members within the Plan and we are satisfied that it is on target for all groups. The default arrangement is described in further detail in the Plan's updated Statement of Investment Principles (SIP) dated 13 September 2019, a copy of which is submitted alongside this governance statement.

The default investment strategy and SIP will be reviewed as a minimum every three years (i.e. by June 2022 and September 2022 respectively) or as soon as any significant developments in investment policy or member demographics take place.

The Trustees continually monitor the performance of the Plan's investments throughout the year. We are happy with the performance of the default arrangement over the period covered by this statement and we believe the Plan's investment strategy remains on track to meet our aims and objectives.

The Trustees have set up processes to publish relevant information on the default arrangement online and will notify members about this in their annual benefit statements.

Processing Plan transactions

The Trustees have a specific duty to ensure that core financial transactions relating to the DC section are processed promptly and accurately. These include the investment of contributions, transfer of member assets into and out of the Plan, switches between different investments within the Plan and payments to and in respect of members.

These transactions are undertaken on the Trustees' behalf by the Plan administrator and its investment manager, both are Standard Life. The Trustees periodically review the processes and controls implemented by those organisations, and consider them to be suitably designed to achieve these objectives. The Trustees have a service level agreement (SLA) in place with the Plan administrator which covers the accuracy and timeliness of all core transactions and receive regular reports to monitor the performance against those service levels. The processes adopted by the Plan administrator to help meet the SLA include a central financial control team separate to the admin team, daily monitoring of bank accounts, a client oversight team who monitor the service levels in both telephony and written requests, a resource planning centre to ensure they have the right resource to cover the work across all areas of administration/servicing and a dedicated relationship manager to hold internal teams to account and to ensure smooth running of the pension plan. During the period covered by this statement, 98.2% of work was completed within the agreed service levels and there were no issues relating to the processing of Plan transactions.

We also perform periodic assessments of methods and efficiency of the Plan's administrators and challenge them in terms of their efficiency when necessary.

In light of the above, the Trustees consider that the requirements for processing core financial transactions specified in the Administration Regulations (The Occupational Pension Schemes (Scheme Administration) Regulations 1996) have been met.

Charges and transaction costs – default arrangement and additional funds

The law requires the Trustees to disclose the charges and transactions costs borne by DC Plan members and to assess the extent to which those charges and costs represent good value for money for members. These transaction costs are not limited to the ongoing charges on member funds, but should also include trading costs incurred within such funds. We have taken account of statutory guidance when preparing this section of the report.

In this context, "charges" means (subject to some specific exemptions, such as charges relating to pension sharing orders) all administration charges other than transaction costs. "Transaction costs" are costs incurred as a result of the buying, selling, lending or borrowing of investments.

Transaction costs have been provided by the Plan's investment manager and they are calculated using slippage methodology. That is, the transaction costs represent the difference between the expected trading price of a security within a fund and the price at which the trade is actually executed at (as typically a trade is executed a few working days after an order is placed). Therefore, in a buy order, for example, if the execution price is less than the expected price, a transaction cost may be negative.

Details of the Total Expense Ratios (TERs) payable for each fund as well as the transaction costs within the default arrangement for the 1-year period to 31 March 2020 are as follows:

Fund	TER (%)	Transaction Cost (%)
Standard Life At Retirement (Passive Plus Universal) Pension Fund	0.37	0.020
Standard Life Passive Plus III Pension Fund	0.36	0.058
Standard Life Pre Retirement (Passive Plus Universal) Pension Fund	0.38	0.039

Source: Standard Life

This is lower than the maximum TER allowed of 0.75% for default arrangements.

As discussed in the "Default arrangement" section, some members of the Plan remain invested in a legacy default lifestyle. The TERs and transaction costs for each fund used in this arrangement for the 1-year period to 31 March 2020 are:

Fund	TER (%)	Transaction Cost (%)
SL BlackRock Managed (50:50) Global Equity Pension Fund	0.36	0.054
Standard Life At Retirement (Multi Asset Universal) Pension Fund	0.37	0.192
Standard Life Deposit and Treasury Pension Fund	0.35	0.059

Source: Standard Life

The Trustees also make available a range of funds which may be chosen by members as an alternative to the default arrangement. These funds allow members to take a more tailored approach to managing their own pension investments and attract annual charges and transaction costs for the 1-year period to 31 March 2020 as follows:

Fund	TER (%)	Transaction Cost (%)
SL ASI MyFolio Managed III Pension Fund	0.71	0.198
SL ASI MyFolio Managed IV Pension Fund	0.75	0.174
SL ASI UK Smaller Companies Pension Fund	0.84	0.007
SL Baillie Gifford UK and Worldwide Equity Pension Fund	0.67	0.059
SL BlackRock ACS World ex UK Equity Tracker Pension Fund	0.35	0.005

SL BlackRock Ascent Life US Equity Pension Fund	0.88	0.333
SL Blackrock ACS Japan Equity Tracker Pension Fund	0.36	0.136
SL HSBC Islamic Global Equity Index Pension Fund	0.65	0.047
SL Schroders Global Emerging Markets Pension Fund	1.33	-0.012
SL Schroders US Mid Cap Pension Fund	1.19	0.130
SL Vanguard FTSE UK All Share Index Pension Fund	0.36	0.000
SL Vanguard Global Bond Index Hedged Pension Fund	0.36	0.001
SL Vanguard SRI Global Stock Pension Fund	0.36	0.001
SL Vanguard US Equity Pension Fund	0.36	0.000
Standard Life At Retirement (Passive Plus Universal) Pension Fund	0.37	0.020
Standard Life Global Equity 50:50 Pension Fund	0.35	0.228
Standard Life Mixed Bond Pension Fund	0.35	0.075
Standard Life North American Equity Pension Fund	0.35	0.115
Standard Life Overseas Equity Pension Fund	0.35	0.362
Standard Life Passive Plus III Pension Fund	0.36	0.058

Source: Standard Life

The 0.75% fee cap only applies to the default arrangement, hence some of the funds above exceed this amount.

We are comfortable that the costs for the default arrangement and self-select funds are reasonable both in terms of the outcomes the funds are targeting and the fees in the wider market applicable to similar investment strategies. The Trustees assessment of value for members is discussed in a later section of this statement.

Cumulative effect of charges

Using the charges and transaction cost data provided by the relevant parties and in accordance with regulation 23(1)(ca) of the Administration Regulations, as inserted by the 2018 Regulations, the Trustees have prepared illustrations detailing the impact of the costs and charges typically paid by a member of the Plan on their retirement savings pot. The statutory guidance has been considered when providing these examples. While the Standard Life Deposit and Treasury Pension Fund (a cash fund) has the lowest expected return of the funds used by the Plan, it is not available as an individual self-select fund and we have therefore not illustrated this fund.

In order to represent the range of funds available to members we are required to show the effect on a member's savings of investment in a selection of significant funds within the Plan. The funds we are required to illustrate are:

- The fund or strategy with the most members invested (*Default Strategy*)
- The most expensive fund (*SL Schroders Global Emerging Markets Pension Fund*)
- The cheapest fund (*Standard Life Mixed Bond Pension Fund*)
- The fund with the highest expected return (*SL Schroders Global Emerging Markets Pension Fund*)
- The fund with the lowest expected return (*Standard Life Mixed Bond Pension Fund*)

To illustrate the impact of charges on a typical active member's pension pot, we have provided examples below. The illustrations account for all estimated member costs, including the TER, transaction costs and inflation

Illustrations for an "Average" member						
	Default Strategy *(most popular option)*		**SL Schroders Global Emerging Markets Pension Fund** *(most expensive and highest expected return fund)*		**Standard Life Mixed Bond Pension Fund** *(cheapest and lowest expected return fund)*	
Years from now	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**
1	£35,479	£35,330	£36,154	£35,673	£34,534	£34,390
3	£48,960	£48,420	£51,511	£49,711	£45,547	£45,051
5	£63,167	£62,100	£68,377	£64,722	£56,488	£55,553
10	£102,127	£99,062	£118,158	£106,957	£83,521	£81,127
15	£146,541	£140,326	£181,089	£156,893	£110,106	£105,759
20	£197,077	£186,330	£260,646	£215,932	£136,251	£129,482
23 (retirement)	£230,589	£216,452	£318,141	£256,404	£151,729	£143,294

Illustrations for a "Young" member						
	Default Strategy *(most popular option)*		**SL Schroders Global Emerging Markets Pension Fund** *(most expensive and highest expected return fund)*		**Standard Life Mixed Bond Pension Fund** *(cheapest and lowest expected return fund)*	
Years from now	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**
1	£8,567	£8,531	£8,717	£8,601	£8,358	£8,323
3	£14,259	£14,114	£14,910	£14,426	£13,386	£13,251
5	£20,258	£19,948	£21,712	£20,655	£18,380	£18,105
10	£36,709	£35,711	£41,788	£38,182	£30,721	£29,927
15	£55,467	£53,313	£67,167	£58,903	£42,858	£41,312
20	£76,855	£72,967	£99,251	£83,403	£54,793	£52,278
25	£101,243	£94,914	£139,811	£112,369	£66,531	£62,839
30	£129,051	£119,420	£191,085	£146,616	£78,074	£73,011
35	£160,706	£146,741	£255,905	£187,107	£89,426	£82,808
40 (retirement)	£196,597	£177,199	£337,849	£234,980	£100,589	£92,244

To provide context for the investment returns and charges presented above. If savings were not invested at all (i.e. there were no investment returns or fees) then, according to our modelling, the value of the "Average" and "Young" members' pots at retirement would be £114,631 and £66,321 respectively in today's money.

Assumptions

The above illustrations have been produced for an “average” member and a “young” member of the Plan based on the Plan’s membership data. The “Default Strategy” illustration assumes the member’s asset allocation remains fully invested in the current default strategy. The individual fund illustrations assume 100% of the member’s assets are invested in that fund up to the Plan retirement age. The results are presented in real terms, i.e. in today’s money, to help members have a better understanding of what their pension pot could buy in today’s terms, should they invest in the funds above as shown.

Age • “Average” member • “Young” member	 42 *(the average age of the Plan’s membership)* 25 *(the average age of the youngest 10% of members)*
Plan Retirement Age	65
Starting Pot Size • “Average” member • “Young” member	 £28,999 *(the median pot size of the Plan’s membership)* £5,831 *(the median pot size for the youngest 10% of members)*
Starting Salary • “Average” member • “Young” member	 £47,000 *(the median salary of the Plan’s membership)* £25,500 *(the median salary for the youngest 10% of members)*
Inflation	2.5% p.a.
Rate of Salary Growth	2.5% p.a.
Employer annual contributions • “Average” member • “Young” member	 10% p.a. *(the median rate of the Plan’s membership)* 10% p.a. *(the median rate for the youngest 10% of members)*
Employee annual contributions • “Average” member • “Young” member	 2% p.a. *(the median rate of the Plan’s membership)* 0% p.a. *(the median rate for the youngest 10% of members)*
Expected future nominal returns on investment: • Default Strategy o Standard Life At Retirement (Passive Plus Universal) o Standard Life Passive Plus III o Standard Life Pre Retirement (Passive Plus Universal) • SL Schroders Global Emerging Markets Pension Fund • Standard Life Mixed Bond Pension Fund	 2.6% above inflation 2.6% above inflation 2.6% above inflation 4.8% above inflation 0.4% below inflation

Value for members

The Trustees monitor value for members on an ongoing basis and have a good understanding of the membership demographics of the Plan and what good member outcomes should look like for the Plan’s members in aggregate.

Whether something represents “good value” is not capable of being precisely defined, but for these purposes, the Trustees consider that charges and transaction costs may be viewed as representing “good value” for members where the combination of costs and the quality of what is provided in return for those costs is appropriate for the Plan membership as a whole, when compared to other options available in the market.

We understand that value for money does not necessarily mean selecting the cheapest offer and in our ongoing reviews of value for money we consider many factors including quality of customer service, member communications and support, the efficiency of administration services, the robustness of scheme governance, fund management and performance of the funds.

Bearing all this in mind, the Trustees carried out a formal value for members assessment on 1 September 2019. The Trustees considered the Plan's Management and Governance, Design, Investment, Administration, Communication and Costs, rating each area as either Red, Amber or Green. All six factors were given a Green rating, meaning that the Trustees believe that the Plan is providing good value for members across all areas considered. The Trustees will continue to formally assess value for members on an annual basis.

The Trustees have set up processes to publish relevant information on the costs and charges of the default arrangement and self-select funds online and will notify members about this in their annual benefit statements.

Trustees' knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Plan 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 Codes of Practice 7 and 13.

The Trustees have put in place arrangements for ensuring that they take personal responsibility for keeping themselves up-to-date with relevant developments and periodically carry out a self-assessment of training needs. In addition, the Trustees receive advice from professional advisers, and the relevant skills and experience of those advisers is a key criterion when evaluating adviser performance or selecting new advisers. The Trustees consider Trustee Knowledge and Understanding and also include quarterly training on legislative updates at each trustee meeting.

All new Trustees are required to complete a Trustee Training course as soon as is practicable and training is provided by their professional advisers on a regular basis. All the Trustees are also required to familiarise themselves with the Plan's trust deed, rules and governing documents. Where professional advice on the Trust deed and rules is required, this is obtained from Pinsent Masons LLP. The Trustee board also includes an experienced professional independent trustee who has familiarised themselves with these relevant documents to ensure they have adequate knowledge of the Plan. During the year, the Trustees have demonstrated a working knowledge of the Trust Deed & Rules as well as sufficient knowledge and understanding of the law relating to pensions and trusts by dealing with specific issues as they arose, including considering requests for partial transfers and adoption of "scheme pays" for annual allowance purposes. The Trustees also received further training on investment disclosures legislation.

The Trustees demonstrated a working knowledge of the Statement of Investment Principles (SIP) when they reviewed and implemented changes effective from 16 September 2019 to incorporate the new regulations in respect to ESG investing.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to them, the Trustees consider that they are enabled properly to exercise their functions as Trustees of the Plan and as a result, it has sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes. This was demonstrated throughout the year when the Trustees received appropriate training on member flexibilities and regulation, such as Environmental, Social and Governance (ESG) investing. The Trustees are also satisfied that they have demonstrated a working knowledge of the Plan's other policy documents setting out the Trustees' current policies, including reviews and updates of the conflicts of interest policy, risk register and business plan. These reviews have particularly focused on business continuity in light of the COVID-19 pandemic.

In addition, while most plans simply focus on trustee training and use of advisers, we believe that knowledge and understanding should also be extended to awareness of member demographics and member behaviour otherwise trustees cannot be certain that a plan remains fit for purpose. The Trustees receive regular demographic information from their provider to enable them to assess the needs of the membership and tailor member communications and presentations to meet this.

The Chair's statement regarding DC governance was approved by the Trustee on 28 October 2020.

BACB RETIREMENT AND DEATH BENEFITS PLAN
STATEMENT OF INVESTMENT PRINCIPLES

SEPTEMBER 2019

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1 INTRODUCTION

This Statement of Investment Principles ("the Statement") has been prepared by the Trustees of the BACB Retirement and Death Benefits Plan ("the Plan") in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Plan and the activities undertaken by the Trustees to ensure the effective implementation of these principles.

In preparing the Statement, the Trustees have:

- Obtained and considered written advice from a suitably qualified individual, employed by their investment advisers, JLT Employee Benefits (JLT EB), a trading name of JLT Benefit Solutions Limited, ("JLT"), whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- Consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustees' investment policy for the Plan.

The Trustees will review the Statement formally at least every three years to ensure its ongoing suitability. Furthermore, the Trustees will review the Statement without delay after any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

2 INVESTMENT OBJECTIVES

2.1 OVERALL INVESTMENT OBJECTIVES

The Trustees' main objective is to provide members with an investment strategy aligned to the needs of their members that will optimise the return on investments in order to build up a savings pot which will be used in retirement.

The Trustees are mindful of their responsibility to provide members with an appropriate range of investment funds and a suitable default strategy. They recognise that in a defined contribution arrangement, members assume the investment risks themselves and that members are exposed to different types of risk at different stages of their working lifetimes.

Details of the approach the Trustees have taken to meet these investment objectives are set out in Sections 4.

The Trustees have determined their investment policy in such a way as to address the risks set out in Section 6 of this Statement. To help mitigate the most significant of these risks, the Trustees have:

- Made a lifestyle strategy available as a default option, which transitions members' investment from higher risk investments to lower risk investments as members approach retirement, and
- Offered a range of self-select fund across asset classes.

When deciding on the investment options available to members, the Trustees took into account the expected return on such investments and were mindful to offer a range of funds with varying levels of expected returns for members to choose from.

When it comes to realisation of investments, the Trustees consider the impact of transaction costs before making any changes.

The Trustees will review the investment approach from time to time, and make changes as and when it is considered to be appropriate.

The items set out in this Statement are in relation to what the Trustees deem as 'financially material considerations' both for the self-select fund choices of the Plan and the default strategy. The Trustees believe the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the members' age and when they expect to retire. It is for this reason that the default is a lifestyle strategy.

2.2 SELF-SELECT FUND CHOICES

Members can opt out of the default option and can choose to invest in self-select funds instead. The range of investment options covers multiple asset classes and allows members to achieve adequate diversification, and provides appropriate strategic choices for members' different savings objectives, risk profiles and time horizons.

When self-selecting, the balance between funds and asset classes is the member's decision. This balance will determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerance.

The Trustees have made the decision to provide these self-select funds via the Standard Life DC Platform and have made 37 funds available for members to select, details of which can be found in Appendix 1.

The Trustees will continue to keep the fund range under review, and will make changes if appropriate.

2.3 TYPES OF INVESTMENTS TO BE HELD

The Trustees are permitted to invest across a wide range of asset classes. The majority of funds available are actively managed with a limited number of passively managed funds available. All of the funds in which the Plan invests are pooled and unitised. Details of each fund can be found in Appendix 1.

2.4 ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Plan provides a facility for members to pay additional voluntary contributions to enhance their benefits at retirement. Members are offered the opportunity to invest additional contributions in the same way as the Plan investments.

3 INVESTMENT RESPONSIBILITIES

3.1 TRUSTEES' DUTIES AND RESPONSIBILITIES

The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives.

The Trustees carry out their duties and fulfil their responsibilities as a single body. However, sub-committees may be formed from time to time to examine specific issues.

- Setting of investment objectives and formulating investment strategy
- The regular approval of the content of the Statement
- The appointment and review of the investment manager, platform provider investment adviser
- Selecting funds for member choices
- The compliance of the investment arrangements with the principles set out in the Statement.

3.2 INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustees have appointed JLT as the independent investment adviser to the Plan. JLT EB provides advice as and when the Trustees require it, as well as raising any investment-related issues, of which it believes the Trustees should be aware. Matters on which JLT expects to provide advice or assistance to the Trustees include the following:

- Setting of investment objectives
- Determining investment strategy and advising on the appropriate default strategy
- Advising on appropriate member fund choices

In considering appropriate investments for the Plan, the Trustees will obtain and consider written advice of JLT, whom the Trustees believe to be suitability qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995, as amended.

JLT is remunerated on a fee basis for the investment advice it provides and does not receive any commission in relation to the Plan. The Trustees are satisfied that the investment arrangements, including the charging structure, are clear and transparent. Any additional services provided by JLT will be remunerated primarily on a time-cost basis.

The Trustees are satisfied that this is the most appropriate adviser remuneration structure for the Plan.

Both JLT and the individual investment consultants who advise the Trustees are authorised and regulated by the Financial Conduct Authority (FCA).

3.3 PLATFORM PROVIDER'S DUTIES AND RESPONSIBILITIES

The Trustees have appointed Standard Life as the Plan's platform provider. Standard Life will contract with and appoint underlying investment managers to manage the Plan's assets on behalf of the Trustees.

The role of Standard Life is to ensure assets are invested and disinvested as specified by the Plan's members and the Trustees.

Standard Life will also provide valuations and performance monitoring to the Trustees on a quarterly basis.

The Trustees will monitor the suitability of the platform provider on an ongoing basis.

3.4 INVESTMENT MANAGERS' DUTIES AND RESPONSIBILITIES

The Trustees, after considering appropriate investment advice, have appointed professional, authorised investment managers to manage the assets of the Plan through their platform provider.

Details of each manager's mandate applied by the investment managers are set out in Appendix 1.

The Trustees considered a range of active and passive approaches to investment management and assessed these against their investment objectives. The Trustees selected investment managers having regard to their ability to provide one or more of the identified fund types and their potential to meet the investment objectives of the Plan. Before selecting any investment manager, the Trustees ensure that appropriate due diligence is carried out.

The investment managers are responsible for all decisions concerning the selection and de-selection of the individual stocks within the portfolios they manage.

In the case of multi-asset and multi-manager mandates, the investment managers are responsible for all decisions concerning the allocation to individual asset classes and to the underlying investment managers, as well as changes in the allocations to individual asset classes and to the underlying investment managers.

All of the investment managers engaged by the platform provider are authorised and regulated by the FCA.

The investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Plan. The Trustees believe that this is the most appropriate basis for remunerating managers.

3.5 SUMMARY OF RESPONSIBILITIES

A summary of the responsibilities of all relevant parties, so far as they relate to the Plan's investments, is set out at Appendix 2.

4 DEFAULT INVESTMENT STRATEGY

4.1 AIMS AND OBJECTIVES

The lifestyle strategy operates as a default if a member does not wish to make their own selection of funds, and is designed to be appropriate for a typical member of the Plan.

The Trustees have assumed responsibility for setting the default investment strategy that provides a broad level of protection against the key risks identified in Section 6. This is achieved using a lifestyle arrangement, whereby assets are moved into less risky investments as members approach their selected retirement age.

In determining the investment strategy, the Trustees undertook extensive investigations and have received formal written investment advice from their investment consultants. Further information is set out below.

Members can opt out of the default strategy, and invest in any of the investment funds made available in the self-select fund range as described in Sections 4.3.

4.2 DEFAULT STRATEGY

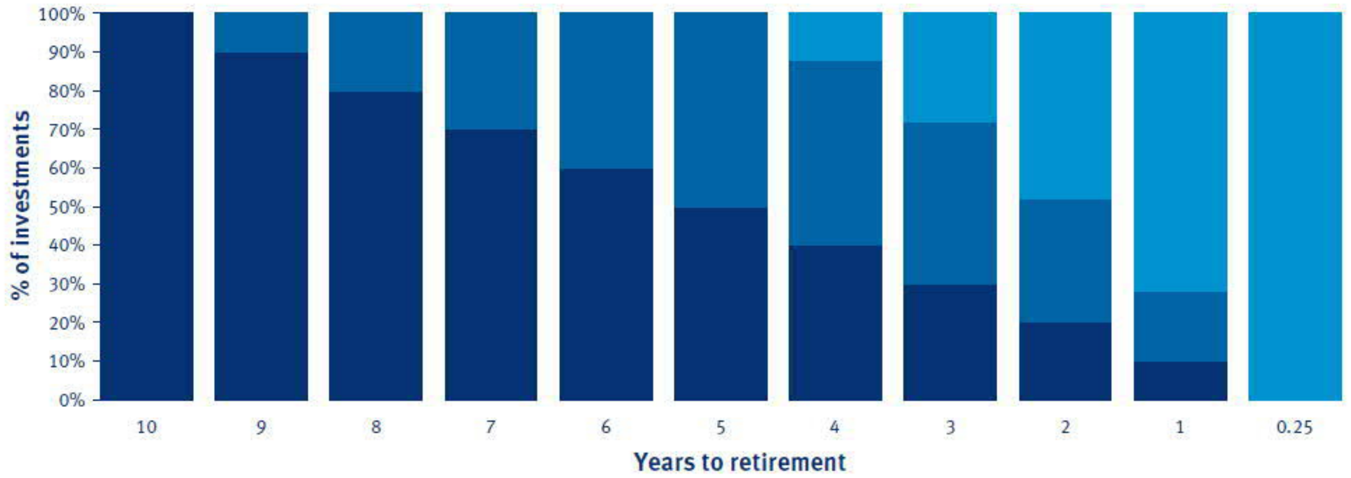
In determining the investment strategy, the Trustees undertook extensive investigations and have received formal written investment advice from their investment advisers. The Trustees have explicitly considered the trade-off between risk and expected returns when establishing the balance between different kinds of investments. The expected amount of risk is considered appropriate for the typical member and will differ by member depending on their age and their expected retirement age. Further information is set out below.

The default strategy, namely the Passive Plus III Strategic Lifestyle Profile (SLP), consists of three funds which are used throughout a member's saving journey. Members are fully invested in the Passive Plus III Fund up until 10 years away from retirement. The Fund invests in a carefully selected portfolio that is mainly made up of index-tracking funds from Vanguard with the aim to deliver outperformance on a risk adjusted basis over time. The Fund is managed to a level of risk, rather than a level of return and its portfolio is made up of c.70% equity and 30% bonds.

10 years away from retirement, members' holdings are partially switched to the Pre-Retirement (Passive Plus Universal) Fund. This is a lower risk multi-asset fund which SL considers to be appropriate for members who are yet to decide on which outcome they would like at retirement. Again this fund does not target a specific outcome, but rather aims to continue to provide investment growth at a lower level of risk.

4 years prior to retirement, the SL At-Retirement (Passive Plus Universal) Fund is added in a way that at retirement a member is 100% invested in this fund. This fund is the lowest risk of all three funds used in the lifestyle and is designed for members who have yet to decide on how they are going to take their retirement income, or if they want to drawdown from their pot. Furthermore, approximately 25% of the Fund is invested in cash to account for the fact that members tend to withdraw their tax free lump sum amount.

The strategy can be illustrated using the following graph:



Standard Life Passive Plus III Pension Fund	Standard Life Pre-Retirement (Passive Plus Universal)	Standard Life At-Retirement (Passive Plus Universal)

Source: Standard Life DC Governance Report 2018

By investing in this manner, the Trustees expect to deliver growth over the member's lifetime within the Plan without excessive risk taking, with an increased focus in the final ten years of reducing volatility to enable members approaching retirement to make financial plans for the period after retirement. The Trustees consider this approach to be in the best interests of relevant members and relevant beneficiaries.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustees consider to be financially material considerations in relation to the default investment strategy. The Trustees believe that the appropriate time horizon within which to assess these considerations should be viewed at the membership level. This will be dependent on the members' age and when they expect to retire.

Taking into account the demographics of the DC Section's membership and the Trustees' views of how the membership will behave at retirement, the Trustees believe that the current default is appropriate. The Trustees will continue to review this over time, at least triennially, or after any significant changes to the Plan's demographic, if sooner.

4.3 MEMBERS' BEST INTERESTS

The Trustees will carry out an in-depth investment review triennially or following any significant change in membership, covering not only the performance of the default strategy, but also its design to ensure that it continues to remain appropriate for the membership profile. This is in addition to more regular performance monitoring, which takes place quarterly. The Trustees strive to ensure the strategy evolves in line with the Plan's membership characteristics in order to ensure that assets are invested in the best interests of the members in the default investment strategy.

5 RESPONSIBLE INVESTING

5.1 FINANCIALLY MATERIAL CONSIDERATIONS

The Trustees understand that it must consider all financially relevant factors in making investment decisions on behalf of the Plan. However, it will also consider any non-financial factors to the extent that they have the ability to impact the financial results of the Plan's investments over the medium to long term.

The Trustees recognise that Environmental, Social and Governance (ESG) factors, including climate change, can all influence the investment performance of the Plan's portfolio and it is therefore in members' and the Plan's best interests that these factors are taken into account within the investment process and that ESG risks are identified and avoided or mitigated as best as possible.

The Trustees believe that investing with a manager who approaches investments in a responsible way and takes account of ESG-related risks will lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken.

Therefore, the Trustees will work with the investment advisers to help select the platform provider and investment managers that have passed the initial ESG screening. ESG screening will involve some of the following activities, but is not limited to: ensuring the managers are signatories to UNPRI, reviewing the managers' own ESG policies, investigating the extent to which these policies are integrated into their standard procedures of investment research and analysis etc.

The Trustees will continue to review the available products and approaches in this space and strive for the Plan to continue to deliver strong risk-adjusted returns, incorporating responsible investments principles into the process, where possible.

5.2 NON-FINANCIAL CONSIDERATIONS

The Trustees do not take into account non-financial matters in the selection, retention and realisation of investments. However, the Trustees believe that they have a good understanding of membership demographics, behaviours and preferences and, where appropriate, strive to provide a fund range that meets both financial and non-financially relevant member needs. To that end, an Ethical fund is available to members to provide them with an opportunity to invest in line with their ethical principles.

5.3 STEWARDSHIP POLICY

The Trustees have concluded that the decision on how to exercise voting rights should be left with their investment managers, who will exercise these rights in accordance with their respective published corporate governance policies. These policies, which are provided to the Trustees from time to time, take into account the financial interests of shareholders and should be for the Plan's benefit. The Trustees believe that choosing the right managers who fully engage with issuers of equity or debt instruments in their portfolios will lead to better financial results for members.

The Trustees are supportive of the UK Stewardship Code published by the Financial Reporting Council and encourage the Plan's underlying managers who are regulated by the Financial Conduct Authority to comply with the UK Stewardship Code. Such managers are expected to report on their adherence to the Code on an annual basis.

As the Plan invests in pooled funds via a pension provider, the Trustees' scope to vote on the Plan's shares directly is currently limited. The Trustees have therefore concluded that the decision on how to exercise voting rights should be left with the underlying investment managers who will exercise these rights in accordance with their respective published corporate governance policies. These policies take into account the financial interests of shareholders, and should be for the members' benefit.

5.4 MEMBER VIEWS

The Trustees do not explicitly take account of member views when selecting investments for the Plan. However, the Trustees are committed to reviewing this policy on an ongoing basis.

6 RISK

The Trustees are aware, and seek to take account, of a number of risks in relation to the Plan's investments, including those set out below. Under the Pensions Act 2004, the Trustees are required to state their policy regarding the ways in which risks are to be measured and managed. These are also set out below.

The Trustees recognise that in a defined contribution arrangement, members assume the investment risks themselves. The Trustees further recognise that members are exposed to different types of risk at different stages of their working lifetimes. The main types of investment risks are noted below:

<table>
<tr><th>Type of Risk</th><th>Risk</th><th>Description</th><th>How is the risk monitored and managed?</th></tr>
<tr><td rowspan="4">Market Risk</td><td>Inflation Risk</td><td>The risk that a member's investments will not grow quickly enough to sufficiently outpace inflation (the cost of living).</td><td rowspan="4">The Trustees make available a range of funds across various asset classes, with the majority expected to keep pace with inflation.

Members are able to set their own investment fund allocations, in line with their risk tolerances.

The default strategy is designed with the intention of diversifying these risks to reach a level of risk deemed appropriate given the objectives. This is set with the advice from the investment adviser.

The Trustees acknowledge that the assessment of credit risk on individual debt instruments is the responsibility of the investment manager. The Trustees will however ensure that they are comfortable with the amount of risk that the Plan's investment managers take.

The Trustees acknowledge that the Plan can manage its exposure to price risk by investing in a diverse portfolio across various markets.</td></tr>
<tr><td>Currency Risk</td><td>This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.</td></tr>
<tr><td>Credit Risk</td><td>This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.</td></tr>
<tr><td>Other Price Risk</td><td>This is the risk that principally arises in relation to the return seeking assets such as equities.</td></tr>
<tr><td colspan="2">Environmental and social and governance ("ESG") risks</td><td>This is the risk that ESG factors, including climate change, have a financially material impact on the return of the Plan's assets.

These risk factors can have a significant effect on the long-term performance of the assets the Plan holds.</td><td>Where applicable these factors will be considered in the investment process but is considered the responsibility of the investment manager.

Please see Section 5 for the Trustees' responsible investment statement.</td></tr>
</table>

Pension Conversion Risk	This is the risk that a member is invested in a strategy that does not reflect the way in which they intend to access their savings at retirement.	The Trustees make available a wide range of funds which enable members to manage this risk. The default is a lifestyle strategy which automatically and gradually switches member assets into investments whose value is expected to be less volatile on an absolute basis. The fund allocated to at retirement is considered suitable for members who have yet to decide how they're going to take their retirement income, or if they want to take a flexible income (drawdown) The Trustees will review the default strategy at least triennially to assess whether the targeted destination remains appropriate.
Manager risk	This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.	It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process through the quarterly performance updates provided by the platform provider.
Liquidity risk	The risk that the Plan's assets cannot be realised at short notice in line with member or Trustees' demand.	As far as is practicable and necessary, the Trustees invest in liquid assets that can be quickly realised as required. It is managed by investing only in readily realisable pooled funds that can be bought and sold on a daily basis.

Realisation of Investments

The funds are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore should be realisable at short notice, based on either Trustees' or member demand. The selection, retention and realisation of investments within the pooled arrangements are the responsibility of the relevant investment manager.

7 MONITORING OF INVESTMENT ADVISER AND MANAGERS

7.1 INVESTMENT ADVISER

The Trustees continually assess and review the performance of their adviser in a qualitative way.

7.2 PLATFORM PROVIDER

The Trustees continually assess and review the performance of their platform provider in a qualitative way.

JLT will advise the Trustees of any significant developments of which it is aware relating to the platform provider such that in JLT's view there exists a significant concern that the provider will not be able to meet the long-term objectives of the Plan.

7.3 INVESTMENT MANAGERS

The Trustees receive quarterly monitoring reports on the performance of the investment managers from the platform provider as an independent check on the performance of the funds that the Plan invests in.

JLT will advise the Trustees of any significant developments of which it is aware relating to the investment managers, or funds managed by the investment managers in which the assets of the Plan are invested, such that in JLT's view there exists a significant concern that these funds will not be able to meet their long-term objectives.

The Trustees also monitor the stewardship track record of the Plan’s underlying investment managers on an annual basis and will take action if this is found inconsistent with appropriate long-term return generation.

8 CODE OF BEST PRACTICE

The Pensions Regulator's code on standards for DC schemes came into effect in November 2013 as part of a wider initiative to get DC right. This was updated further on 28 July 2016 and this revised version is shorter and simpler than its predecessor and has been updated to include the DC flexibilities and governance legislation introduced from April 2015.

The Code of Practice 13 on the governance and administration of occupational DC trust based schemes places bigger than ever emphasis on good quality investment arrangements and stricter requirements for reviewing these on the Trustee. Particular attention has to be paid to the design of default strategies and on-going monitoring of their continuing suitability for scheme membership. The Code can be found here:

https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-13-governance-and-administration-of-occupational-trust-based-schemes-providing-money-purchase

When formulating their investment policy, the Trustees have acted in line with the Code of Practice 13.

9 COMPLIANCE

The Plan’s Statement of Investment Principles is available to members on request.

A copy of the Plan’s current Statement plus Appendices is also supplied to the Sponsoring Employer, the Plan’s investment managers, auditors and administrators.

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Trustees on 16 September 2019.

APPENDIX 1: INVESTMENT MANAGER INFORMATION

The Trustees will monitor the suitability of the funds used on an ongoing basis and make changes as they consider appropriate. The table below shows the available self-select funds along with their respective benchmarks.

Fund	Benchmark
SL Aberdeen Property Share Pension Fund	FTSE 350 Real Estate
SL Baillie Gifford UK and Worldwide Equity Pn Fd	Composite index comprising 60% UK and 40% overseas equities
SL Blackrock ACS Japan Equity Trk Pn Fd	FTSE Japan Index
SL BlackRock ACS World ex UK Equity Tracker Pn Fd	FTSE All World Developed ex UK Index
SL BlackRock Aquila Connect Pacific Rim Eq Pn Fd	FTSE All-World Developed Asia Pacific ex-Japan Index
SL BlackRock Ascent Life US Equity Pension Fund	FTSE All-World USA Index
SL BlackRock Managed (50:50) Global Equity Pension	Composite index
SL Newton Multi-Asset Growth Pension Fund	IA Flexible Investment NR
SL Fidelity Asia Pension Fund	MSCI AC Asia ex Japan
SL iShares Corporate Bond Index Pension Fund	Markit iBoxx GBP Non-Gilts Overall TR Index
SL JP Morgan Emerging Markets Pension Fund	MSCI Emerging Markets Index
SL Liontrust UK Growth Pension Fund	FTSE All Share
SL Schroder Global Emerging Markets Pension Fund	MSCI Emerging Markets index GBP
SL Schroder US Mid Cap Pension Fund	Russell 2500 TR Lagged GBP
SL SLI China Equities Pension Fund	n/a
SL SLI Global Equity Unconstrained Pension Fund	n/a
SL SLI Global Smaller Companies Pension Fund	n/a
SL SLI UK Equity Income Unconstrained Pension Fund	n/a
SL SLI UK Smaller Companies Pension Fund	Numis Smaller Companies Ex Investment Companies Total Return GBP index (+1 Day)
SL Vanguard Emerging Markets Stock Index Pension	MSCI Emerging Markets Index
SL Vanguard FTSE UK All Share Index Pension Fund	FTSE All-Share Index
SL Vanguard SRI Global Stock Pension Fund	FTSE Developed Index

Standard Life Asia Pacific ex Japan Equity Pension	n/a
Standard Life At Retirement (Passive Plus Universal) Pn	Composite Index
Standard Life Corporate Bond Pension Fund	n/a
Standard Life Ethical Pension Fund	n/a
Standard Life Global Equity 50:50 Pension Fund	50% FTSE All-Share Total Return GBP index; 50% MSCI World Ex UK Total Return GBP index
Standard Life Global Equity Select 60:40 Pension	Composite Index
Standard Life Japanese Equity Pension Fund	MSCI Japan Total Return GBP index
Standard Life Mixed Bond Pension Fund	Composite index
Standard Life Money Market Pension Fund	n/a
Standard Life North American Equity Pension Fund	n/a
Standard Life Overseas Equity Pension Fund	MSCI World Ex UK Total Return GBP index
Standard Life Overseas Tracker Pension Fund	MSCI World ex UK index
Standard Life Passive Plus III Pension Fund	Composite Index
Standard Life Property Pension Fund	n/a
Standard Life Stock Exchange Pension Fund	n/a

APPENDIX 2: RESPONSIBILITIES OF PARTIES

TRUSTEES

The Trustees' responsibilities include the following:

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with the Investment Adviser and modifying it if deemed appropriate
- Selecting the Investment Managers
- Assessing the quality of the performance and processes of the Investment Managers by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Adviser
- Consulting with the sponsoring employer regarding any proposed amendments to this Statement
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis
- Publishing this Statement on a publically available website and informing members of the location

INVESTMENT ADVISER

The Investment Adviser's responsibilities include the following:

- Participating with the Trustees in the review of this Statement of Investment Principles
- Production of quarterly performance monitoring reports
- Advising of any significant developments of which it is aware relating to the investment managers, or funds managed by the investment managers in which the Plan is invested, such that in its view there exists a significant concern that any of these funds will not be able to meet its long term objectives.
- Updating the Trustees on changes in the investment environment, and advising the Trustees, at their request, on how such changes could present either opportunities or problems for the Plan
- Undertaking project work, as requested, including:
  - Reviews of the default strategy and fund range; and
  - Research into and reviews of Investment Managers.
- Advising on the selection of new managers and/or custodians

PLATFORM PROVIDER

The Platform Provider's responsibilities include the following:

- Ensure members' contributions are invested/disinvested appropriately, including ensuring that the Lifestyle Transition Strategy is implemented in accordance with the Trustees' instructions
- Providing the Trustees on a quarterly basis (or as frequently as required) with a statement and valuation of the assets and a report on any changes to the Plan's investments, membership, etc.

INVESTMENT MANAGERS

The Investment Managers' responsibilities include the following:

- Informing the Trustees through the Platform Provider of any changes in the internal performance objectives and guidelines of their funds
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments
- Managing their funds in accordance with their stated mandates