Associated Press Defined Contribution Retirement Plan
Chair's Annual Governance Statement

Regulations effective from 6th April 2015 (updated 6th April 2018) require trustees to prepare a statement showing how they have met certain minimum governance standards in relation to defined contribution benefits. These standards cover four principal areas relating to the Plan's defined contribution benefits, namely: the default investment arrangement, core financial transactions, value from member borne deductions and the trustees' knowledge, understanding and resources.

This statement, covering the period 1 January 2019 to 31 December 2019, describes how the Trustees have governed the Plan during the year and, in particular, the steps they have taken during the year to improve the likelihood of members experiencing a good outcome for life after work.

The statement covers four principal areas:

1. Investment with particular focus on the Plan's default investment arrangements.
2. Internal controls, with particular focus on the processing of core financial transactions.
3. Value, with particular focus on charges and transaction costs deducted from members' funds.
4. The knowledge and resources available to the Trustees, including how the Trustees maintained the statutory levels of knowledge and understanding to govern the Plan and how these help the Trustees ensure that the Plan is governed effectively.

This statement will be published on https://vfm.aviva.co.uk/associated-press/ and will be signposted in the annual benefit statements.

The default investment option

The Trustees are responsible for setting the Plan's investment strategy and for appointing investment managers to carry out that strategy. They must also establish a default investment option ("default") for members who do not select their own investment options from the fund range that is available.

The Trustees' Statement of Investment Principles ('SIP'), which includes a statement of principles in relation to the Plan's default investment arrangement, has been prepared for the Plan under Section 35 of the Pensions Act 1995 (the '1995 Act') and Regulation 2 and Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 (the 'Investment Regulations').

This covers the Trustees' aims and objectives in relation to the default as well as their policies in relation to matters such as risk and diversification. It also states why they believe the default has been designed in members' best interests. A copy of the SIP, dated May 2019 is included as Appendix A and is also available on request. Further, the latest SIP can now be accessed via https://vfm.aviva.co.uk/associated-press/, the availability of which is also signposted on members' annual benefit statements.

The last full review of the investment arrangements was completed in January 2018 as part of the change in platform provider from Standard Life to Aviva in April 2018. Details of the previous default are included in the section 'Further information about previous default and investment strategy' at the end of the Statement.

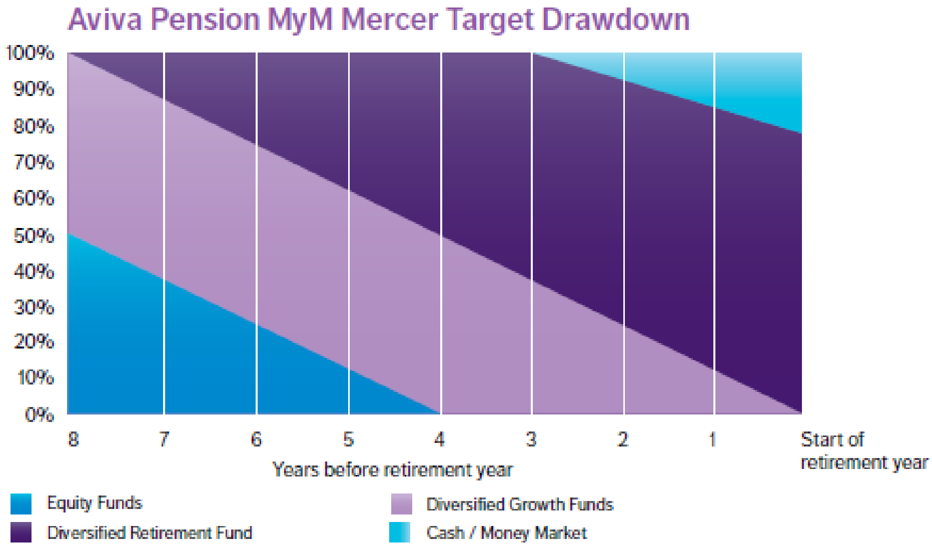
The investment options were selected based on analysis of the likely requirements of a typical member and as a result the old default investment arrangement (with Standard Life) – a lifestyle strategy targeting annuity was changed to one targeting income drawdown at retirement.

The investment strategy is built around three groups of members:

- **"Do it for me"** - these members are offered a diversified, growth orientated fund in the savings phase and a specific set of Target Retirement Funds targeting the retirement destination selected by the Trustees, which target Drawdown, (the default arrangement);
- **"Help me do it"** – in addition to the default Target Retirement Funds, these members can also select alternative Target Retirement Funds which target other retirement destinations or mix and match between them, ie annuity purchase or cash.

- **"Leave me to it"** –members also have complete freedom to select and build their own portfolio from a range of funds selected by the Trustees. This includes a list of Mercer building block funds and external funds that are highly rated by Mercer.

The default for the Plan invests in the AV MyM Mercer Growth/Balanced Risk Fund in the growth phase; the period up to eight years prior to retirement. At eight years from retirement, investments are gradually de-risked into the relevant AV MyM Mercer Target Drawdown Funds. In the retirement year, the investment split is 75% AV MyM Mercer Diversified Retirement Fund and 25% AV MyM Mercer Cash. The default has been designed this way to reduce member's exposure to investment risk as they approach retirement.



There are a further two lifestyle strategies available to members targeting cash or annuity purchase at their target retirement age. Members are able to invest in more than one lifestyle strategy and move between them if their plans for retirement change.

In selecting the default, the Trustees believe that:

- The growth phase structure is designed to provide growth with some downside protection and protection against inflation erosion.
- The strategy appropriately seeks to reduce investment risk as the member approaches retirement.
- Based on their understanding of the membership, a strategy that targets income drawdown and a tax-free cash lump sum (up to 25% of a members' pot) at retirement is likely to meet a typical member's requirements for income in retirement.

Over the year, the Trustees and their advisers reviewed the performance of the investment funds and the current default on a quarterly basis. The Mercer Workplace Savings ("MWS") team provide the Trustees with quarterly investment reports that include the funds' net performance against their benchmarks, changes to the Mercer's manager ratings and manager updates. These reports are reviewed by the Trustees and any concerns would be raised with the investment manager via Mercer.

During the latter half of the year, the structure of the risk-profiled funds were changed to enable more efficient implementation of Mercer's best ideas. These funds are no longer structured as a composite of several funds, but access the underlying components directly.

There were no changes to the long term objectives of the funds and they continue to be managed according the same investment guidelines. As a result of the structural change described above there was a reduction in cost to members between 0.01% and 0.02% per annum across the risk-profiled funds.

The reduction in fee for the Mercer Growth Fund (growth phase of the default strategy) was 0.02% per annum. Members invested in the last 8 years of the lifestyle strategies would also have experienced a proportionate reduction where the Target Retirement Fund included an allocation to the Mercer Growth Fund.

In addition, some changes were made to the allocations of the risk profiled funds to add further diversification in line with Mercer's best ideas to improve member outcomes. For example, the introduction of an allocation to sustainable equity in the Mercer Growth Fund.

The Trustees are committed to keeping all investment options under regular review to ensure they remain appropriate, based on their understanding of the likely requirements of the membership. The next full review of the investment arrangements, including the default is due in January 2021.

Requirements for processing financial transactions

As required by the Administration Regulations, the Trustees must ensure that core financial transactions are processed promptly and accurately. Core financial transactions are (broadly):

- Investment of contributions made to the Plan by members and their employer(s);
- Transfers into and out of the Plan of assets relating to members;
- Switches of members' investments between different funds within the Plan; and
- Payments from the Plan to or in respect of members (e.g. payment of death benefits and on retirement).

The Trustees regularly monitor the Plan's administration and management, including the prompt and accurate processing of financial transactions. The Trustees last conducted a review of their administration arrangements in 2017 and as a result moved from Standard Life to Aviva in April 2018 with MWS providing an additional governance overlay.

The Trustees have delegated the administration of Plan member records to Aviva. The Trustees have agreed minimum timescales with Aviva for processing requests, including core financial functions, which are well within any applicable statutory timescales. Mercer provides ongoing monitoring and assessment of Aviva's operational service levels. On a monthly basis, Mercer monitors service levels delivered to the Plan and to their other clients, ensuring Aviva are held accountable to these. The following Service Level Agreements (SLAs) have been agreed:

SLA	Description	Target Service Level %
2 working days	Access to Policy Documentation	97%
2 working days	Contribution Processing	100%
3 working days	Investment Transactions	97%
5 working days	General Enquiries	97%
5 working days	Payments Out	97%
5 working days	Payments In	97%

Aviva records all member transactions and benefit processing activities in a work management system which assigns the relevant timescale to the task.

From January 2019 to 31 December 2019, an overall service level of 99.6% was achieved by Aviva.

As at 31 December 2019 there was one remaining member invested with Standard Life in the Pension With Profits One 2006 fund, there have been no core financial transactions in respect of this member during the Plan year.

The processes adopted by Aviva to help meet the SLA's include:

- Timeliness of transactions monitored and reported (escalating/reallocating resources if necessary).
- Straight through processing for contribution payments - automated system (validations built in)
- Manual processes require a separate processor and authoriser (segregation inbuilt into system)
- Daily monitoring of bank accounts
- Quality audit checks are undertaken on a sample of processes throughout the year.
- Unit reconciliation between investment and administration systems undertaken daily and are checked and approved weekly (by FNZ)
- Payments checked and approved independently by one or more individuals (depending on value).

Administration reports produced by Aviva are reviewed quarterly by the Trustees and there were no concerns during the period being reported. The Trustees also monitor the accuracy of the Plan's common and conditional data. A summary report is received from the Plan administrator annually.

As a wider review of the Plan administrator in general, the Trustees receive an assurance report on the administrator's internal controls. The latest report received was for the period to 31 December 2018 (published in 2019) and noted the Independent Service Auditor's opinion that, in all material aspects, its controls were suitably designed and those tested operated effectively.

The Schedule of Contributions sets out timescales for the Company to remit monthly contributions to the Plan by the 19th of the following month. However, agreed practice provides for payment of contributions in advance of these timescales, usually by the end of the month in which the contributions are deducted. The deduction and payment of contributions is reviewed by the Company. The Plan Auditor spot checks that contributions are paid in accordance with the Schedule of Contributions.

Following the year-end the Trustees were notified that a small number of members were impacted by an error relating to how their funds had been invested. Aviva had written to all affected members and at the time of writing were undertaking a reconciliation exercise to put right any losses that may have arisen as a result. The Trustees have been liaising with Aviva and their advisors to ensure processes have been put in place to prevent this from happening again.

Other than the issue mentioned above the Trustees are confident that the administrator processed the core financial transactions promptly and accurately during the period.

Charges and transaction costs

As required by the Administration Regulations, the Trustees are required to report on the charges and transactions costs for the investments used in the default and their assessment on the extent to which the charges and costs represent good value for members.

Explicit charges known as the Total Expense Ratio (TER) consist principally of the manager's annual charge for managing and operating a fund, but also includes the costs for other services paid for by the fund, such as the legal costs, registration fees and custodian fees. However, they exclude other costs that are also member borne and which can therefore have a negative effect on investment performance such as transaction costs and interest on borrowings.

Transaction costs are the expenses associated with a member trading in and out of a fund as well as the investment manager trading a fund's underlying securities, including commissions and stamp duty.

The available transaction costs provided by the Plan's investment managers have been reported separately to the TERs in the table below. The section 'Further information about previous default and investment strategy' at the end of the Statement details the funds held previously with Standard Life.

The TERs and transaction costs for the lifestyle strategies are shown in the table below. The TER for the de-risking phases for the lifestyle strategies will vary depending on the time from retirement.

The Trustees can confirm that the default remains within the charge cap of 0.75% p.a.

Lifestyles			
Investment Strategy	**Aviva MyM Mercer Funds**	**TER* (%p.a.)**	**Transaction Cost (%)*** **
Growth phase**	Mercer Growth/Balanced Risk	0.45	0.2696
AV MyM Mercer Target Drawdown**	Target Drawdown 2020	0.50	0.1773
	Target Drawdown 2021	0.51	0.2020
	Target Drawdown 2022-	0.51	0.2245
	Target Drawdown 2023	0.50	0.2455
	Target Drawdown 2024	0.49	0.2506
	Target Drawdown 2025	0.48	0.2555
	Target Drawdown 2026	0.46	0.2605
	Target Drawdown 2027	0.45	0.2655
	Drawdown Diversified Retirement	0.47	0.2300
AV MyM Mercer Target Annuity	Target Annuity 2020	0.38	0.0106
	Target Annuity 2021	0.38	0.0437
	Target Annuity 2022	0.40	0.0765
	Target Annuity 2023	0.41	0.1097
	Target Annuity 2024	0.42	0.1427
	Target Annuity 2025	0.43	0.1755
	Target Annuity 2026	0.45	0.2080
	Target Annuity 2027	0.45	0.2404
	Annuity Retirement-	0.36	0.0079

Lifestyles			
Investment Strategy	**Aviva MyM Mercer Funds**	**TER* (%p.a.)**	**Transaction Cost (%)*** **
AV MyM Mercer Target Cash	Target Cash 2020	0.35	0.0129
	Target Cash 2021	0.36	0.0373
	Target Cash 2022	0.38	0.0616
	Target Cash 2023	0.39	0.0859
	Target Cash 2024	0.41	0.1114
	Target Cash 2025	0.42	0.1521
	Target Cash 2026	0.44	0.1926
	Target Cash 2027	0.45	0.2331
	Cash Retirement	0.33	0.0109

Self-select investment options		
Risk Profiled Funds	**TER* (% p.a.)**	**Transaction Costs (%)*****
AV MyM Mercer Defensive/Lower Risk	0.42	0.1004
AV MyM Mercer Moderate Growth/Moderate Risk	0.46	0.2200
AV MyM Mercer Growth/Balanced Risk	0.45	0.2696
AV MyM Mercer High Growth/Higher Risk	0.46	0.2597
Building Block Funds	**TER* (% p.a.)**	**Transaction Costs (%)*****
Aviva MyM Mercer Passive Overseas Equity	0.29	-0.0403
Aviva MyM Mercer Diversified Growth	0.51	0.2900
Aviva MyM Mercer Cash	0.28	0.0109
Aviva MyM Mercer Pre-Retirement	0.32	0.0069
Aviva MyM Mercer Diversified Retirement	0.47	0.2300
Aviva MyM Mercer Passive UK Equity	0.29	-0.1325
Aviva MyM Mercer Passive Over 5 Year Index-Linked Gilt	0.29	0.0283
Aviva MyM Mercer Passive UK Corporate Bond	0.30	-0.0565
Aviva MyM Mercer Passive Over 15 year Gilt	0.28	-0.0057
Aviva MyM Mercer Passive Shariah	0.55	0.0416
Aviva MyM L&G UK Ethical	0.40	0.0174

Source Aviva, as at 31 December 2019.

* The TER includes the annual management charge and the additional fund expenses as at 31 December 2019.

** Default investment option.

*** Due to the way in which transaction costs are calculated, they can be negative or positive in nature; a negative figure is effectively a gain from trading activity, whilst a positive figure is effectively a cost from trading activity. Some of the transaction costs provided are estimated, as some of the underlying information is not yet available.

Fund	TER (% p.a.)	Transaction Costs (%)
SL Pension With Profits One 2006 Fund	0.20[a]	0.0409

Source: Standard Life, as at 31 December 2019.

[a] Whilst there is no explicit fee in relation to the SL Pension With Profits One 2006 Fund, this is the deductions for guarantees assumption used in members statutory money purchase illustrations.

Where the underlying transaction cost information is not available, the Trustees are working with their advisors to obtain this. This information will continue to be requested from Aviva until the underlying managers are in a position to provide the transaction costs. This has been included as a regular item under matters arising (reviewed quarterly).

Illustration of the effect of transaction costs and charges on members' benefits

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

The illustrations, prepared by Aviva has taken into account the following elements:

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

The illustration includes all member costs, including the TER, transaction costs and inflation. It is important to note that the values shown are estimates and are not guaranteed. The term of investment has been based on the youngest member of the Plan.

Illustration of effect of cost and charges for typical funds within your scheme – The Associated Press Defined Contribution Retirement Plan Scheme

	Aviva Pension MyM Mercer Growth / Balanced Risk		Aviva Pension MyM Mercer Passive Overseas Equity		Aviva Pension MyM Mercer Passive UK Equity		Aviva Pension MyM Mercer Passive UK Corporate Bond		Aviva Pension MyM Mercer Growth / Balanced Risk (without retirement de-risking)	
	Assumed growth rate 4.6%		Assumed growth rate 5%		Assumed growth rate 5%		Assumed growth rate 3%		Assumed growth rate 4.6%	
	Assumed costs and charges 0.48%		Assumed costs and charges 0.29%		Assumed costs and charges 0.28%		Assumed costs and charges 0.29%		Assumed costs and charges 0.48%	
At end of year	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken
1	£1,200	£1,200	£1,200	£1,200	£1,200	£1,200	£1,190	£1,190	£1,200	£1,200
2	£2,420	£2,410	£2,430	£2,430	£2,430	£2,430	£2,390	£2,380	£2,420	£2,410
3	£3,670	£3,650	£3,700	£3,680	£3,700	£3,680	£3,590	£3,570	£3,670	£3,650
4	£4,950	£4,900	£4,990	£4,960	£4,990	£4,960	£4,790	£4,770	£4,950	£4,900
5	£6,250	£6,170	£6,310	£6,260	£6,310	£6,270	£6,010	£5,960	£6,250	£6,170
10	£13,200	£12,800	£13,400	£13,200	£13,400	£13,200	£12,200	£12,000	£13,200	£12,800
15	£20,800	£20,000	£21,500	£21,000	£21,500	£21,000	£18,500	£18,100	£20,800	£20,000
20	£29,300	£27,800	£30,500	£29,600	£30,500	£29,600	£24,900	£24,200	£29,300	£27,800
25	£38,700	£36,200	£40,700	£39,200	£40,700	£39,200	£31,500	£30,400	£38,700	£36,200
30	£49,000	£45,300	£52,300	£49,800	£52,300	£49,900	£38,300	£36,700	£49,000	£45,300
35	£60,500	£55,200	£65,300	£61,600	£65,300	£61,700	£45,300	£43,000	£60,500	£55,200
40	£73,200	£65,800	£79,900	£74,800	£79,900	£74,900	£52,400	£49,400	£73,200	£65,800
45	£87,300	£77,200	£96,500	£89,400	£96,500	£89,600	£59,700	£55,800	£87,300	£77,200
50	£103,000	£89,600	£115,000	£106,000	£115,000	£106,000	£67,200	£62,300	£103,000	£89,600

Illustration of effect of costs and charges for funds with different growth rates and charges **within your scheme – The Associated Press Defined Contribution Retirement Plan Scheme**								
	Aviva Pension MyM Mercer Cash Retirement		Aviva Pension MyM Mercer Cash		Aviva Pension MyM Legal & General (PMC) Ethical UK Equity Index		Aviva Pension MyM Mercer Target Drawdown 2021	
	Assumed growth rate 1.5%		Assumed growth rate 1.5%		Assumed growth rate 5%		Assumed growth rate 2.8%	
	Assumed costs and charges 0.33%		Assumed costs and charges 0.28%		Assumed costs and charges 0.4%		Assumed costs and charges 0.59%	
At end of year	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken
1	£1,180	£1,180	£1,180	£1,180	£1,200	£1,200	£1,190	£1,180
2	£2,350	£2,340	£2,350	£2,340	£2,430	£2,420	£2,380	£2,370
3	£3,510	£3,490	£3,510	£3,490	£3,700	£3,670	£3,580	£3,540
4	£4,650	£4,620	£4,650	£4,630	£4,990	£4,950	£4,770	£4,720
5	£5,790	£5,740	£5,790	£5,750	£6,310	£6,250	£5,980	£5,890
10	£11,300	£11,100	£11,300	£11,100	£13,400	£13,200	£12,000	£11,700
15	£16,500	£16,100	£16,500	£16,200	£21,500	£20,800	£18,200	£17,400
20	£21,500	£20,900	£21,500	£21,000	£30,500	£29,200	£24,400	£23,000
25	£26,300	£25,300	£26,300	£25,400	£40,700	£38,600	£30,800	£28,600
30	£30,800	£29,400	£30,800	£29,600	£52,300	£48,900	£37,200	£34,000
35	£35,100	£33,300	£35,100	£33,600	£65,300	£60,300	£43,700	£39,400
40	£39,200	£36,900	£39,200	£37,300	£79,900	£72,900	£50,400	£44,700
45	£43,200	£40,300	£43,200	£40,700	£96,500	£86,900	£57,100	£50,000
50	£46,900	£43,500	£46,900	£44,000	£115,000	£102,000	£63,900	£55,100

Notes:

1. Assuming a starting pension pot of £0. £100 monthly contributions are assumed to be paid, increasing in line with assumed earnings inflation of 2.5% each year.
2. The figures illustrate the pension pot value in 'today's money' which means they take inflation into account by discounting values at 2.5% a year. Seeing the figures in this way shows you what they could be worth today. It's important to note that inflation reduces the worth of all savings and investments. The effect of this is shown in the illustration and could mean the fund may reduce as well as grow in 'today's money'.
3. Transaction costs may not have been included where data was not available from the fund managers (in relation to the cash fund).

Value for Members

When assessing the charges and transaction costs which are payable by members, the Trustees are required to consider the extent to which these represent good value for members.

The Trustees with support from their advisers, Mercer Ltd, have undertaken a value for members assessment in May 2020 for the year to 31 December 2019.

There is no legal definition of "good value", so the process of determining good value is a subjective one. "Value" is not a straightforward concept to quantify and can be open to broad interpretation. In undertaking the assessment, the Trustees recognised that the Plan is a bundled arrangement and considered the quality of services provided by Aviva including fund management, administration and communications support.

The value for members assessment also examines the current investment management charges relative to standard institutional fees for equivalent size mandates, Mercer Manager Research Ratings and historical performance.

The Trustees concluded that the Plan's overall benefits, options and services represent **good** value for money in comparison to the costs payable by members. The reasons underpinning this conclusion include:

- Charges on funds have been assessed by our advisors as comparing favourably with those of funds with similar asset sizes;
- Charges for the Plan's default investment arrangement are significantly below the charge cap of 0.75% per annum;
- The funds used by the Plan are highly rated by Mercer Ltd as having good prospects of achieving their risk and return objectives;
- The performance of the Plan's funds over the 1 year to 31st December 2019 compare favourably relative to the benchmark set by the Trustees;
- Transaction costs have been provided for all of the funds. Where underlying transaction cost information was unavailable, the Trustees will work with Aviva to obtain this information to include in the next Chair's Statement. Currently, industry wide reporting on transaction costs is not at a level to allow a meaningful comparison, however once available the Trustees will look to include this in their value for money assessment.
- Through their membership in the Plan, members get the benefit of (amongst other things):
    - Ongoing oversight and review of the default investment option and the DC fund range;
    - The Trustees' and Company's governance of the services;
    - Efficiency of administration services in relation to communications (including face to face presentations as well as webinars) and general member services.

Additionally, the Company pays for all advisory costs associated with operating the Plan, which further enhances the value that members receive.

Trustee knowledge and understanding

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

The Trustees are conversant with, and have demonstrated a working knowledge of, the Plan Documents such as Trust Deed and Rules, Statement of Investment Principles as well as policies and documents setting out the Trustees' compliance as part of the general running of the Plan in the period to 31 December 2019.

The Trustees undertook a number of activities that involved giving detailed consideration to pensions and trust law, the Plan's governing documents and Investment Principles. This allowed them to exercise their knowledge and understanding and to further strengthen their capabilities. These included:

- Reviewing and updating the Statement of Investment Principles in light of financially material considerations including climate change in line with new legislative requirements
- Legal advice on the Trust Deed and Rules was obtained in relation to the implications of Brexit for cross border arrangements and assignment of members.
- The Trustees examined a number of Plan documents and member communications having regard to pensions law and the Trust Deed and Rules, including their expression of wishes form, the member guide in relation to their transfer in policy and the schedule of contributions

The Trustees receive professional advice from Mercer and Baker Mackenzie to support them in reviewing the performance of the Plan and in governing the Plan in line with the Trust Deed and Rules. The advice received along with their own experience allows them to properly exercise their function as Trustees. If there are any ambiguities over the interpretation of the Rules legal advice is sought from Baker Mackenzie.

There are documented processes in place for appointing both the Chair and new Trustees and whilst there have been no changes to the Trustee board during the year, the induction process for new Trustees is as follows:

- Newly appointed individuals to have completed the Pensions Regulator's Trustee toolkit within six months of initial appointment;
- Supplemented with targeted individual training based on analysis of learning needs;
- Facilitate familiarisation with the Plan, stakeholders, advisers and providers and working methods.

During the course of the Plan year the Trustees have:

- Undertaken a half a day Knowledge and Understanding Q&A survey in March 2019, which included Trustee Toolkit refresher questions as well as questions relating to recent changes to the DC legislative landscape and Plan specific questions.

  This helped to identify any knowledge gaps and the survey results helped develop the training plan for 2019/2020.

- Undertaken targeted ongoing training both as a group within the quarterly meetings and individually to keep abreast of relevant developments and in line with the Training Plan. These include:
  - Security of Assets
  - ESG beliefs and SIP considerations
  - Value for members as opposed to value for money
  - Powers under the Plan's Trust Deed and Rules
  - DC Code of Practice requirements
- Briefings on forthcoming changes to Pensions law and their possible impact on the Plan, for example new requirements on the publication and content of SIPs from October 2019, default strategy review requirements, new Money and Pensions Service, default fund mapping as well as the possibility of a new DC Code.
- Maintained individual and group training logs.
- Regularly reviewed their training needs by considering the training schedule of upcoming training (updated to include the training needs identified in Q1 2019) at each meeting and updating as appropriate.

The Trustees also review and assess, on an ongoing basis (at least annually), whether the systems, processes and controls across key governance functions are consistent with those set out in the Pensions Regulator's Code of Practice 13. The last full review was undertaken in August 2019.

In addition, as at 31 December 2019, the Trustees have all completed the Pension Regulator's Trustee Toolkit.

Chair's declaration

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) 2015 (together 'the Regulations') and I confirm that the above statement has been produced by the Trustees of the Associated Press Defined Contribution Plan.

Signed by Susan Gilkey, Chair of the Associated Press Defined Contribution Retirement Plan, on 28 July 2020

Appendix A: Statement of Investment Principles

Associated Press Defined Contribution Retirement Plan

Statement of Investment Principles – May 2019

1. Introduction

Under legislation set out in the Occupational Pension Plans (Investment) Regulations 2005 (S.I. 2005/3378) ("the Investment Regulations"), as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015, it is a requirement for trustees to prepare a statement of the principles that govern their investment decisions.

The Trustees of the Associated Press Defined Contribution Retirement Plan (the "Plan") has drawn up this Statement of Investment Principles (the "Statement") to comply with said requirements and those of the Pensions Act 1995 (the "Act") and subsequent legislation, and to fulfil the spirit of the Pensions Regulator's DC Code of Practice no. 13. As required under the Act, the Trustees have consulted a suitably qualified person and have obtained written advice from Mercer Limited ("Mercer"). In preparing this statement, the Trustees have given due consideration to the reasons why the Plan uses an insurance policy and their policy for securing compliance with the requirements of section 36 of the Act (*choosing investments*), and in addition the Trustees have consulted Associated Press Television News Limited and Associated Press Limited (the "Companies").

The Plan's invested assets are held in an insurance policy issued by Aviva Life and Pensions UK Limited ("Aviva"). The Plan is a registered pension scheme as defined in section 153 of the Finance Act 2004. The Plan operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries. Overall investment policy falls into two parts. The first is the strategic management of members' assets, which is fundamentally the responsibility of the Trustees acting on advice from its investment consultant, Mercer, and is driven by the investment objectives as set out in Section 3 below. The second element of the policy is the day-to-day management of the assets which is delegated to professional investment managers via the arrangements set out in the separate Investment Policy Implementation Document ("IPID").

The Trustees are committed to maintaining the accuracy of this Statement on an ongoing basis.

The Trustees' investment responsibilities are governed by the Plan's Trust Deed and this Statement takes full regard of its provisions. A copy of the Plan's Trust Deed is available for inspection upon request.

2. Governance Structure

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

2.1 Trustees

- Sets structures and processes for carrying out its role;
- Sets investment structures and their implementation
- Selects and monitors investment advisers and fund managers;
- Sets structures for implementing investment strategy;
- Selects and monitors direct investments (see below); and
- Makes on-going decisions relevant to the principles of the Plan's investment strategy.

2.2 **Mercer, the investment adviser**

- Advises on all aspects of the investment of the Plan assets, including implementation, suitability of the default lifestyle strategy and each fund's structure, composition and benchmark;
- Advises on this Statement;
- Monitors investment managers; and
- Provides required training.

2.3 **Aviva, the bundled services platform provider**

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

2.4 **Underlying fund managers**

- Selects individual investments with regard to their suitability and diversification.

2.5 **Mercer Workplace Savings**

- Provides advice in selecting the bundled services platform provider;
- Provides on-going governance monitoring services (i.e. on the platform provider);
- Provides investment governance of the platform provider's fund range; and
- Provides investment management services via Smartpath lifestyle strategies.

3. **Investment Objectives**

3.1 The Trustees recognise that members have differing investment needs and that these may change during the course of members' working lives. The Trustees also recognise that members have different attitudes to risk. The Trustees believe that members should make their own investment decisions based on their individual circumstances. The Trustees regard their duty as making available a range of investment options sufficient to enable members to tailor their investment strategy to their own needs. The Trustees also recognise that members may not believe themselves qualified to take investment decisions. As such the Trustees make available a Default Lifestyle Option.

These objectives translate to the following principles:

a. Offering members a 'Lifestyle' approach for the default investment option in which the investments are managed over the course of their working life;
b. Ensuring that the other investment strategy options allow members to plan for their specific retirement objectives;
c. Making available a range of pooled investment funds which serve to meet the varying investment needs and risk tolerances of Plan members. This includes offering both passively and actively managed investment funds;
d. Adopting a framework which provides flexibility to change investment managers proactively and which allows efficient fund switching (e.g. without out-of-market risk) as required;
e. Providing general guidance as to the purpose of each investment option;
f. Encouraging members to seek independent financial advice from an appropriate party in determining the most suitable option for their individual circumstances;
g. In determining an appropriate balance between providing flexibility and choice, as well as simplicity and cost control, the Trustees aim to make available a range of options which satisfy the needs of the majority of members.

The Trustees regularly review the suitability of the options provided and from time to time will change or introduce additional investment funds as part of the self-select fund range as appropriate. Given their fiduciary duties, MWS will review the suitability of the lifestyle options provided and from time to time will change or introduce additional investment funds.

3.2 Environmental, Social and Corporate Governance (ESG) including Climate Change

The following encapsulates the Trustees' ESG beliefs:

a. The Trustees believe that environmental, social, and corporate governance factors can have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole.
b. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly require explicit consideration within the investment decision making process.
c. The Trustees may take into account member views in the selection, retention and realisation of ESG investments, where there is no risk of significant financial detriment to the fund.

The Trustees have given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations. Similarly, the Plan's voting rights are exercised by its Investment Managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. Managers are also expected to be signatories to the United Nations-supported Principle Responsible Investment (PRI) unless a suitable reason is provided for not being. As the Plan assets are invested in wholly insured arrangements with investments in pooled vehicles the Trustees accept that the assets are subject to the investment fund managers' own policies in this area.

The Trustees consider how ESG, climate change and stewardship is integrated within investment processes when appointing new investment managers and monitoring existing investment managers. The Trustees, in conjunction with their fiduciary manager have a target that all equity investment managers be highly rated for ESG integration and active ownership with a minimum Mercer rating of ESG3 or better, where possible. Monitoring is undertaken on a regular basis and is documented at least annually.

The Trustees also periodically review the appropriateness of offering individual ESG or sustainable investment choices available to members.

4. The Trustees' Policy with Regard to Risk

The Trustees have considered investment risk from a number of perspectives. These are:

a. The risk that the investment returns over members' working lives will not keep pace with inflation and does not, therefore, secure an adequate pension. The Trustees measure this risk by considering the real returns expected from the various asset classes. The Trustees offer the Default Lifestyle Option, which has an explicit allocation to assets that are expected to outperform inflation over the long term. Members are also able to self-select funds which are expected to outperform with inflation;
b. The risk that investment in overseas markets will be affected by changes in exchange rates leading to lower returns in pound sterling terms (e.g. due to appreciation of pound sterling relative to overseas currency). Currency risk is measured by considering the variability of returns from overseas markets in both local currency and pound sterling

terms. The Trustees offer a number of funds which are currency hedged to the pound sterling, allowing members to choose whether they are exposed to this risk. The Default Lifestyle Option also makes use of such funds;

c. The risk that investment market movements particularly in the period immediately prior to retirement leads to a substantial reduction in the anticipated level of retirement wealth. Investment risk is measured as the volatility of expected returns. The Trustees offer a Default Lifestyle Option, which reduces the level of investment risk members are exposed to as they approach retirement;
d. The risk of a fall in the value of the members' funds. This risk is measured as the volatility of expected returns. The Trustees offer a range of self-select investment options with different levels of risk and return;
e. The risk that the investment vehicles in which monies are invested under-perform the expectations of the Trustees. This risk is measured by the volatility of fund returns relative to their benchmark and compared to the investment manager's stated target/expected tracking error. The Trustees monitor the performance of the investment vehicles on a quarterly basis to ensure the Investment Managers are meeting expectations; and
f. The risk that the pooled funds, through which the Trustees allow members to invest, do not provide the required level of liquidity. This is risk is measured by the dealing and pricing frequencies of pooled funds. The Trustees access pooled funds via an investment platform, which is expected to provide daily pricing and liquidity.
g. ESG factors present financially material risks for companies and investors. These risks can take many forms but are often operational and/or reputational in nature.
h. Climate change is a systemic risk which may materially affect the financial performance of certain asset classes, sectors and companies.

The Trustees believe that the investment strategy outlined in the IPID is appropriate for minimising, where possible, the risks outlined above.

5. The Trustees' Investment Beliefs

The Trustees expect (but do not guarantee):

- The long-term return on the investment options that invest predominantly in equities and other growth-seeking asset classes (e.g. Diversified Growth Funds) to exceed price inflation and general salary growth;
- The long-term returns on the bond and cash options to be lower than the equity options;
- Money market funds to provide protection against changes in short-term capital values, and may be appropriate for members receiving part of their retirement benefits in the form of tax-free cash (although it is not guaranteed that these funds will not fall in value).

In choosing the Plan's investment options, it is the policy of the Trustees to consider:

- A full range of asset classes, including alternative asset classes;
- The suitability of different styles of investment management and the need for investment manager diversification;
- The suitability of each asset class for a defined contribution scheme;
- The need for appropriate diversification.

6. Additional Voluntary Contributions

There is a range of funds offered to members which include the Standard Life Pension With Profits One 2006 Fund. This Fund is closed to future contributions.

7. Use of an Insurance Policy

The Plan's invested assets are held through an insurance policy with Aviva. It has no other investments other than this qualifying insurance policy. The Plan is, therefore, "wholly insured" for the purposes of regulation 8 of the Investment Regulations.

The reasons why the Trustees believe that an insurance policy is most suited to their circumstances, and those of the Plan beneficiaries, are as follows:

a. The Aviva policy offers the Trustees the facility to design a good quality retirement package that enables members of the Plan to invest in a range of asset classes at a reasonable cost;
b. The financial strength of Aviva is taken into account and its level of commitment displayed to the Plan;
c. The security given by Aviva's regulation by the Financial Conduct Authority and the Financial Services Compensation Scheme;
d. The professional management of the investment funds available through Aviva's contract and its willingness to keep the product competitive in the future;
e. Aviva's capabilities in relation to pension plan administration and communication to employees; and
f. The overall value-for-money offered by investing in a packaged product with Aviva. The Trustees believe that this approach is in the best interests of its members, but will regularly review this decision, with the assistance of their investment advisors, to ensure that it remains so.

8. Day-to-Day Investment Management

The fund range offered to members is accessed through Mercer Workplace Savings ("MWS") on the platform provided by Aviva. The Trustees access the platform via a long-term insurance contract with Aviva.

The Trustees have selected funds on the Aviva platform, including those managed by Mercer Global Investments Europe Limited, to provide a range of funds for the members' contributions to be invested in. The investment funds may be changed at the Trustees' discretion.

Day-to-day management of the assets is delegated to professional Investment Managers who are all authorised or regulated. The Trustees expect the Investment Managers to manage the assets delegated to them under the terms of their contracts. The range of funds offered to members incorporates funds from a number of Investment Managers.

The Investment Managers have full discretion to buy and sell investments on behalf of the Plan, subject to agreed constraints and applicable legislation. They have been selected for their expertise in different asset classes.

The Trustees recognise that it is not possible to specify investment restrictions where assets are managed via pooled funds and furthermore, given that it is Aviva that has the direct relationship with the third parties offering the funds (and not the Trustees).

The Investment Managers have appointed custodians for the safe custody of assets held within their pooled funds in which the Plan is invested. The custodians are responsible for the safekeeping of the assets held and for performing various administrative duties, such as the collection of interest and dividends and dealing with corporate actions.

The Trustees assess the continuing suitability of the Plan's Investment Managers on a periodic basis. The Trustees' investment adviser is available to provide help in monitoring the Investment Managers, both in the form of written reports and attendance at meetings as required by the Trustees.

9. Investment Options

9.1 The aims of the default option

- The default lifestyle strategy manages investment and other risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. Any investment in derivative instruments contributes to risk reduction, or efficient portfolio management.
- In deciding the default lifestyle strategy, the Trustees have explicitly considered the trade-off between risk and expected returns.
- If members wish to, they can opt to choose their own investment strategy on joining but also at any other future date.
- Assets in the default lifestyle strategy are invested in the best interests of members and beneficiaries, taking into account the profile of members.
- Assets in the default lifestyle strategy are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.
- Assets are invested mainly on regulated markets (those that are not must be kept to prudent levels).

Policies in relation to the default option
In addition to the Trustees' Investment Beliefs (covered in Section 5), the Trustees believe that:

- The default lifestyle strategy's growth phase structure which invests in equities and other growth-seeking assets will provide growth with some downside protection and some protection against inflation erosion.
- As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustees believe that the default lifestyle strategy that seeks to reduce investment risk as the member approaches retirement is appropriate.
- Based on their understanding of the Plan's membership, an investment strategy that targets income drawdown and a tax-free cash lump sum (up to 25% of a members' pot) at retirement is likely to meet a typical member's requirements for income in retirement. This does not mean that members have to take their benefits in this format at retirement – it merely determines the default investment strategy that will be in place pre-retirement. Members who intend to take their retirement benefits through other formats have the option of switching to an alternative lifestyle strategy prior to retirement or even choosing their own investment strategy. This position will be kept under review.

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

9.2 Self-Select Funds

To cater for the different risk appetites of members, the Trustees also offer three lifestyle strategies and a range of actively managed and passively managed building block funds. The three lifestyle options available include the Lifestyle Strategy Targeting Annuity, Lifestyle Strategy Targeting Cash and Lifestyle Strategy Targeting Drawdown.

All members are free to choose between any of the options. If members do not actively choose one or more of these options, they will automatically be enrolled into the default lifestyle strategy.

Further information on the fund range and lifestyle options is provided in the IPID.

10. Investment Manager and Platform Fees

Details of Investment Manager and Platform fees can be found in the IPID. The fees are provided as total expense ratios (TERs) which are the total ongoing costs of running the funds.

11. **Buying and Selling Investments**

The Investment Managers have responsibility for buying and selling the underlying assets. As already mentioned, the day-to-day activities which the Investment Managers carry out for the Trustees is governed by the arrangements between the Investment Managers and Aviva.

12. **Compliance with this Statement**

The Trustees, Aviva and Mercer each have duties to perform to ensure compliance with this Statement. These are:

- The Trustees will review this Statement regularly on the advice of Mercer. The Trustees will monitor the arrangement with Aviva and MWS to ensure that the service continues to meet the Plan's needs and objectives. The Trustees will also consult with the Principal Employer over any changes to the Statement.
- Aviva will provide full information in respect of transactions in units in the underlying funds and valuations of the units held by the Plan from time to time as required by the Trustees.
- Mercer will provide the advice needed to allow the Trustees to review and update this Statement triennually (or more frequently if required).

Signed by Susan Gilkey, Chair of the Associated Press Defined Contribution Retirement Plan, on 19 June 2019