Occupational Pension Schemes (Charges and Governance) Regulations 2015
Chairman's Statement

Background

Regulations effective from 6th April 2015 require the Trustees of the Plan to prepare a statement showing how they have met certain minimum governance standards in relation to defined contribution benefits.

These governance standards cover four principal areas relating to the Plan's defined contribution benefits, namely:

- The investment strategy relating to the Plan's default arrangement;
- The processing of Plan financial transactions;
- Value from member borne costs within the Plan; and
- The Trustees' compliance with the statutory knowledge and understanding requirements.

This document sets out the Statement covering the period 1 January to 31 December 2020.

The default investment arrangement

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 arrangement for members who do not select their own investment options from the fund range that is available.

The Trustees' Statement of Investment Principles dated 29 September 2020, which includes a statement of principles in relation to the Plan's main default investment arrangement, is attached to this statement. This covers our aims and objectives in relation to the default investment arrangement as well as our policies in relation to matters such as risk and diversification. It also states why we believe the default investment arrangement to be designed in members' best interests.

The default investment arrangement for the Plan was changed on 24 July 2019 from the 'Annuity Purchase Lifetime Investment Programme' to the 'Income Drawdown Lifetime Investment Programme'. Under this new default investment arrangement, a member's Retirement Account is invested in the Aviva Pension Mercer Growth/Balanced Risk Fund until 8 years before their selected retirement age; from this point, assets are gradually transferred to less volatile funds (initially to the Aviva Pension Mercer Diversified Retirement Fund and then to the Aviva Pension BlackRock Institutional Sterling Liquidity Fund so that, at retirement, 75% of the member's Retirement Account is invested in the former and 25% in the latter).

The Trustees and their professional advisers (Mercer Limited) review how the funds within the Plan's default investment arrangement (and the wider self-select fund options) have performed against the investment managers' objectives and benchmarks at each quarterly Trustees' meeting. This information is detailed within the quarterly investment performance monitoring reports produced by Mercer Limited. An abridged version of these reports is made available to Plan members.

The Trustees undertake a holistic and strategic review of the Plan's default investment arrangements every three years. The most recent review of the default investment arrangement was presented to, and given due consideration by, the Trustees at their meeting held on 4 October 2018.

As part of the review, the Trustees considered:

- An overview of global trends in Defined Contribution ('DC') portfolios;
- The various retirement benefit choices available to members and market evolution since the introduction of pension freedoms in 2015;
- The Plan's demographic make-up and retirement trends;

- The suitability of the Plan's current default Lifetime Investment Programme relative to the other two Lifetime Investment programmes, including scenario analysis when members opt for an alternative outcome to the one which their investment option is targeting at retirement, and;
- The ongoing suitability of the existing self-select investment options available to members.

The principal outcome of that review was a decision to change the Plan's default investment arrangement from the 'Annuity Purchase Lifetime Investment Programme' to the 'Income Drawdown Lifetime Investment Programme'. This change came into effect on 24 July 2019 (the earliest point at which the Plan's administrator could implement the required changes).

The Plan's previous default investment strategy had been in place since 2016 and was designed by the Trustees shortly after the introduction of pension freedoms in 2015 (the increased flexibility that has permitted members of DC pension schemes to take their pension savings via cash or income drawdown, as well as through the purchase of an annuity). As the name suggests, the Plan's previous default investment strategy is designed for members who want to use their pension savings at retirement to take up to 25% as tax free cash and purchase an annuity with the balance.

Like many DC pension schemes, the Trustees decided it was prudent in 2015 to retain a default targeting this benefit option and review its suitability after three years when there was some evidence about how members were actually taking their benefits within the new flexible framework. The Trustees' review of this arrangement found that its strategy and performance continued to be consistent with the aims and objectives set back in 2016. However, since the introduction of pension freedoms, it was evident to the Trustees that a growing proportion of retirees from DC schemes were choosing to take their benefits via income drawdown. The Trustees were also aware that there was a strong interest in this benefit format from members of the Plan who were thinking about their own retirement; the Trustees therefore decided to designate the Income Drawdown Lifetime Investment Programme as the Plan's default investment strategy (but will continue to offer the Annuity Purchase Lifetime Investment Programme as a self-select option).

Early notification of these changes and the rationale behind them was initially communicated to all Plan members as part of the 2019 newsletter (issued in May 2019). Targeted communications were then issued to existing default members in June 2019 to confirm in more detail the automated switch of their Retirement Accounts to the Income Drawdown Lifetime Investment Programme on 24 July 2019 (and to allow those members the option to continue in the current default if that better suited their retirement plans).

In addition to the Plan's main default investment arrangement described above, the Aviva Pension BlackRock Institutional Sterling Liquidity Fund and the Aviva Pension BlackRock Emerging Markets Equity (Aquila C) Fund both became 'technical default' funds during 2020 after certain members' ongoing (and, where appropriate, accrued) contributions were automatically diverted to these funds. In the case of the former, relevant members' future contributions had to be automatically diverted to this cash fund by the Trustees between April and September 2020 when the Aviva Pension Property fund was placed in deferral (because of material uncertainty about the valuation of its underlying commercial property assets). In the case of the latter, relevant members' accrued and ongoing contributions were automatically diverted to this fund by the Trustees when Aviva confirmed that the Aviva Pension Stewart Investors Global Emerging Markets Leaders Fund was being removed from their platform in November 2020. In both case, the Trustees communicated with the impacted members. As such, these two funds are now subject to the same requirements for Trustee review and monitoring as the Plan's main default investment arrangement; the Plan's SIP has also been updated to reflect the creation of these two additional technical default funds.

Once members get to within 9 years of their selected retirement age, a letter and accompanying booklet reminding them of their benefit options and encouraging them to review the investment of their Retirement Accounts is sent every year.

The table below sets out the key features of the Trustees' main default investment arrangement (the Income Drawdown Lifetime Investment Programme) and explains why they believe each one to be in members' best interests:

Default feature	Rationale for being in members' best interests
Members' Retirement Accounts are invested in global equities and other growth-seeking assets until 8 years prior to their selected retirement age.	This asset allocation is designed to generate returns in excess of inflation during the growth phase of the strategy, whilst managing downside risk. Long-term returns in excess of earnings inflation are generally required for members' attaining an adequate income in retirement. Whilst younger members can withstand the potential downside of equities (as they have sufficient time for markets to recover), the Trustees believe it prudent to include an allocation to diversifying assets during the growth phase, since this is expected to mitigate the impact of any fall in the value of equities on members' Retirement Accounts.
During the 8 years leading up to their selected retirement age, members' Retirement Accounts are gradually transitioned, first to a portfolio with a combination of UK and overseas shares, a substantial holding in government and corporate bonds and other asset classes such as commodities, property, infrastructure and money market instruments, and, subsequently, an allocation to cash is also introduced.	The asset allocation used during this 'de-risking' phase is expected to reduce investment risk for members as they approach retirement. This is achieved through a gradual alignment of the investment of their Retirement Account with the benefit format they are expected to take at retirement. The strategy concludes with an allocation to assets that are designed to be appropriate for a member planning to use their Retirement Account to take a 25% tax free cash lump sum at retirement (this being the maximum amount permitted by HMRC) and leave the rest invested to make withdrawals. In particular, at the member's selected retirement age, the de-risking phase concludes with a 75% allocation to assets that aim to provide moderate long term capital growth, alongside a 25% allocation to money market assets.

These features and the rationale underpinning the main default change were reviewed in 2020 as part of the 'health check assessment'. The next investment strategy review will take place following a significant change in investment policy or demographic profile or 2022 (3 years since the implementation of the changes made in 2019).

Disclosures on core financial transactions

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

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

The Trustees operate an outsourced operational model, with the Plan's administration delegated to Aviva. In addition to measuring and reporting on traditional Service Level Agreement ('SLA') compliance in their quarterly administration reports, Aviva also report on 'End to End' and 'Value Demand' measures, to allow the Trustees to gain a wider understanding of the extent to which Aviva is providing a satisfactory service to members.

The Trustees have agreed timescales with Aviva for the processing of all member-related services, including core financial functions relating to contribution handling, quoting benefits and paying benefits. These timescales are well within any applicable statutory timetable.

Aviva records all member transactions and benefit processing activities in a work management system, which monitors the time taken to complete each task. Aviva's quarterly administration reports show the extent to which key processes (including core financial functions) have been completed within the agreed SLA during the period. These disclosures are considered by the Trustees at each of their meetings, and additional information (such as the cause for any delay and the extent to which the agreed SLA was breached) is sought and provided in respect of any core financial transactions and benefit processing activity that has not been completed within the SLA and suitable remedial measures are agreed.

For the Plan year taken as a whole, Aviva completed an average of 79.4% of key processes within the agreed SLA.

To supplement the traditional SLA monitoring, Aviva also measure and report on the average 'end to end' time taken between the point a member makes a request and the point at which all elements of the request have been handled (i.e. including any time which does not fall within Aviva's remit, such as awaiting input from a third party). In addition to measuring the speed of service provided to members, Aviva also measure the extent to which their interactions with members represent 'value demands' (as opposed to 'non-value demands' such as chasing up on a request not met, making a complaint, and having to clarify the understanding of information provided).

Aviva also undertake quarterly member research for which members are asked to provide promoter and satisfaction feedback. This helps the Trustees to make an assessment about the extent to which Aviva is servicing members' needs in an efficient and effective manner.

The average results over 2020 were as follows:

- 793 customer requests were completed during this period.
- These requests took an average of 6.5 days to complete.
- 70.01% of demands were completed within 5 days.
- 47.6% of the customer demands raised within the period were delivering value.
- Net Promotor Score: +59.9
- Customer Satisfaction Score: 87.2%
- First Point Resolution Score: 82.5%

In light of Aviva's wish to focus more on measuring service standards through the revised framework, they expect the results achieved on the traditional SLA measure to be a little lower than those which may have been reported in previous quarters and years. As such, the outcome of the assessment against the traditional SLA target for the year should be considered within the wider context of the revised measure of service standards.

Separately, the Trustees arrange for spot-checks of member data, benefit calculations, contribution payments and investment timeframes to ensure that core financial transactions and benefit payments are accurate and promptly executed. These are undertaken by the sponsoring employer's finance and HR function on an ad hoc basis throughout the year; additional annual checks are undertaken as part of the Plan's independent audit.

The table below sets out the Plan's core financial transactions and the controls that exist to ensure accuracy and promptness.

Core financial transaction	Key internal control
Payment of monthly contributions	*Promptness* The Plan's Payment Schedule requires the employers to pay Member and Company contributions by the 22nd of the month following that in which deduction takes place. Compliance with this requirement is pro-actively monitored by the Company's finance team who confirm remittance and sign the Payment Schedule accordingly. Aviva also monitor compliance with this deadline and, at the Trustees' request,

	raise a flag with the Company where data has not been uploaded or where contributions have not been paid by the 15th of each month. The wider Trustees review the latest Payment Schedules at their quarterly meetings. Any breaches, however, are reported to them immediately. *Accuracy* The Plan's auditor spot-checks contribution payments between the administrator and the employers' systems. The Company's finance team also undertake periodic spot-checks each month on contribution calculations and membership. A review of the process relating to the calculation of contributions was undertaken in January 2017.
Investment of monthly contributions following receipt by the Trustees	*Promptness* The administrator will backdate the investment of contributions to the date of data upload (providing no individual cases are rejected through missing data and will work with the Company's finance team to resolve any such cases). Contributions are invested via an automated 'straight through' process to ensure speed. The Company's finance function actively monitors the investment of contributions by Aviva relative to the date of monthly data upload. *Accuracy* The monthly contribution cycle includes reconciliation by the administrator of transaction statements from fund managers with contribution receipts from the employers. The Plan's auditor spot-checks contribution payments between the administrator and the Company's systems.
Investment switches requested by members	*Promptness* The administrator's SLA for switching investments ensures prompt processing of members' requests. *Accuracy* All switches are reconciled with manager transaction statements. All members are notified by the administrator when a switch is complete.
Payment of benefits to members	*Promptness* SLAs for core benefit transactions (i.e. retirements, deaths and transfers) are in place. Periodic appraisal of the Plan's common and conditional data (the most recent undertaken in December 2020 reflected a data score of 99%) helps to ensure that member data is accurate, reducing the likelihood of delay arising from data gaps. Clear authorisations exist for the processing of transactions (i.e. all retirement benefit settlement cases for active members are referred to the Trustees and, subsequently, to the Company's HR office for consent prior to settlement). Blanket Trustee authority has been agreed for transfers and other processes relating to deferred members. This balances the need for promptness on the one hand with Trustee (and, where appropriate, Company) oversight on the other. *Accuracy* The Plan's administrator operates a peer review system for all benefit calculations. Data accuracy is subject to regular evaluation and updating by both the Plan's sponsoring employer and its administrator.

Based on the above, the Trustees are satisfied that the processes and controls in place are robust and are, therefore, comfortable that the Plan's core financial transactions have been processed promptly and accurately during the period to which this Statement relates.

Charges and transaction costs

The Trustees are required to report on the charges and transaction costs for the investments used in the main default arrangement as well as the wider fund choice available and assess the extent to which the charges and costs represent good value for members. When preparing this section of the statement, the Trustees have taken account of statutory guidance.

The actual Total Expense Ratio ('TER') applicable to the Plan's current default investment arrangement at any one time will reflect the TERs applicable to the underlying funds being used, which are all below the charge cap of 0.75% per annum. Having secured a reduction in the Scheme Annual Management Charge (a component of the wider TER) from 0.33% pa to 0.27% pa during 2016, the Trustees secured further reductions from 0.27% pa to 0.25% pa during 2017 and from 0.25% to 0.23% pa in late 2019. The Scheme Annual Management Charge has remained at 0.23% pa throughout the Plan year.

Taking into account these reductions, the TER of the default investment arrangement is at 0.37% pa during the growth phase. The TER then changes during the 8 years prior to selected retirement age, to reflect the automated transition of assets to bond and money market funds.

The TERs applicable to the constituent funds that make up the Income Drawdown Lifetime Investment Programme are as follows:

Constituent fund	TER (%, pa)
Aviva Pension Mercer Growth/Balanced Risk Fund	0.37
Aviva Pension Mercer Diversified Retirement Fund	0.39
Aviva Pension BlackRock Institutional Sterling Liquidity Fund	0.23

The following provides information on the charges and transaction costs for the Plan's self-select (non-default arrangement) fund options:

The Cash Lump Sum Lifetime Investment Programme (self-select lifestyle option)

The actual TER applicable to the Cash Lump Sum Lifetime Investment Programme at any one time will reflect the TERs applicable to the underlying funds being used. The TER is at its highest during the growth phase (at 0.37% pa). The TER falls during the 8 years prior to selected retirement age, to reflect the automated transition of assets to bond and money market funds.

The TERs applicable to the constituent funds that make up the Cash Lump Sum Lifetime Investment Programme are as follows:

Constituent fund	TER (%, pa)
Aviva Pension Mercer Growth/Balanced Risk Fund	0.37
Aviva Pension BlackRock Corporate Bonds All Stocks Index (Aquila C) Fund	0.23
Aviva Pension BlackRock Institutional Sterling Liquidity Fund	0.23

The Annuity Purchase Lifetime Investment Programme (self-select lifestyle option)

The actual TER applicable to the Annuity Purchase Lifetime Investment Programme at any one time will reflect the TERs applicable to the underlying funds being used. The TER is at its highest during the growth phase (at 0.37% pa). The TER falls during the 8 years prior to selected retirement age, to reflect the automated transition of assets to cash and multi-asset funds.

The TERs applicable to the constituent funds that make up the Annuity Purchase Lifetime Investment Programme are as follows:

Constituent fund	TER (%, pa)
Aviva Pension Mercer Growth/Balanced Risk Fund	0.37
Aviva Pension Legal & General Pre-Retirement Fund	0.24
Aviva Pension BlackRock Institutional Sterling Liquidity Fund	0.23

The self-select fund range

The TERs applicable to each of the Plan's self-select funds, along with transaction costs are detailed below:

Self-select fund	TER (%, pa)	Transaction costs (%)
Aviva Pension BlackRock Emerging Markets Equity (Aquila C) Fund	0.47	0.0260
Aviva Pension Stewart Investors (formerly First State) Global Emerging Markets Leaders Fund	1.03	0.4824
Aviva Pension Wells Capital Worldwide Emerging Markets Equity Fund	1.2	-0.1937
Aviva Pension Mercer Active Global Small Cap Equity Fund	1.09	0.2313
Aviva Pension BlackRock (50:50) Global Equity Index (Aquila C) Fund	0.23	0.1287
Aviva Pension HSBC Islamic Global Equity Index Fund	0.53	0.0432
Aviva Pension Mercer High Growth/Higher Risk Fund	0.37	0.0650
Aviva Pension Baillie Gifford Managed Fund	0.46	0.2335
Aviva Pension Mercer Diversified Growth Fund	0.43	0.2065
Aviva Pension Mercer Diversified Retirement	0.39	0.1160
Aviva Pension Mercer Growth/Balanced Risk Fund	0.37	0.0793
Aviva Pension Property Fund	0.23	0.1437
Aviva Pension Stewardship Managed	0.23	0.1366
Aviva Pension BlackRock Corporate Bond All Stocks Index (Aquila C) Fund	0.23	0.1318
Aviva Pension BlackRock Over 15 Year Gilt Index (Aquila C) Fund	0.23	0.0118
Aviva Pension BlackRock Over 5 Year Index Linked Gilt Index (Aquila C) Fund	0.23	-0.0038
Aviva Pension Legal & General Pre Retirement Fund	0.24	0.0000
Aviva Pension Mercer Moderate Growth/Moderate Risk Fund	0.38	0.0499
Aviva Pension Mercer Defensive/Lower Risk Fund	0.33	0.0113
Aviva Pension BlackRock Institutional Sterling Liquidity Fund	0.23	0.0120

**Aviva has not provided the information for these funds. Mercer on behalf of the Trustees will work with Aviva to acquire the transaction cost data for these funds when available.*

In each case, the TER consists 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

The TERs referred to above do not include transaction costs. These are costs incurred by fund managers as a result of buying, selling, lending or borrowing investments. These costs are taken into account by the fund managers when calculating the unit price for each of the funds. The transaction costs shown are calculated based on a methodology known as 'slippage cost'. This compares the price of the stocks being traded when a transaction was executed with the price at which the transaction was requested. Market movements during any delay in transacting may be positive or negative and may also outweigh other explicit transaction costs. For this reason, overall transaction costs calculated in line with the slippage cost methodology can be negative as well as positive. The table below shows the administration and transaction costs for each fund in the Plan. Where fund managers have not used the slippage cost methodology it is shown below.

Fund	Buying and Selling Transaction Costs	Lending and Borrowing Transaction Costs	Total	Transaction Cost Data Missing	Slippage Cost methodology not used
Mercer - Defensive/ Lower Risk	0.0113	0.0000	0.0113	0%	0%
Mercer - Moderate Growth/Moderate Risk	0.0499	0.0000	0.0499	0%	0%
Mercer - Growth/ Balanced Risk	0.0793	0.0000	0.0793	0%	0%
Mercer - High Growth/ Higher Risk	0.0650	0.0000	0.0650	0%	0%
Mercer - Active Global Small Cap Equity	0.2244	0.0069	0.2313	0%	0%
Mercer - Diversified Growth	0.2065	0.0000	0.2065	0%	0%
Mercer - Diversified Retirement	0.1160	0.0000	0.1160	0%	0%
BlackRock - (50:50) Global Equity Index	0.1247	0.0040	0.1287	0%	0%
BlackRock - Over 15 Year Gilt Index	-0.0049	0.0167	0.0118	0%	0%
BlackRock - Corporate Bond All Stocks Index	0.1314	0.0004	0.1318	0%	0%
Baillie Gifford – Managed	0.2335	0.0000	0.2335	0%	0%
Aviva Stewardship Managed	0.1366	0.0000	0.1366	0%	0%
HSBC - Islamic Global Equity Index	0.0432	0.0000	0.0432	0%	0%
BlackRock - Emerging Markets Equity	0.0033	0.0227	0.0260	0%	0%
Stewart Investors - Global Emerging Markets Leaders	0.4824	0.0000	0.4824	0%	0%
BlackRock - Over 5 Year Index-Linked Gilt Index	-0.0282	0.0088	-0.0038	0%	0%
LGIM - Pre-Retirement	-0.0204	0.0003	0.0000	0%	0%
BlackRock - Institutional Sterling Liquidity	0.0120	0.0000	0.0120	0%	0%
Aviva Property Fund	0.1437	0.0000	0.1437	0%	0%
Wells Capital - Worldwide Emerging Markets Equity	-0.1937	0.0000	-0.1937	0%	0%

Source: Aviva, effective for the 1-year period to 31 December 2020.

Aviva have prepared illustrations detailing the impact of the costs and charges typically paid by a member of the Plan in respect of their Retirement Accounts. The statutory guidance provided has been considered when providing these examples.

Illustration of effect of cost and charges for typical funds within your scheme – Orange Business Services Defined Contribution Pension Plan

	Av Mercer Growth / Balanced Risk-FPMMIP3P		Av BlackRock (50:50) Global Equity Index Tracker-FPGBEX_P		Av Mercer Diversified Retirement-FPMERDDP		Av BlackRock Sterling Liquidity-FPBGIC_P		Av Property-FPPROP_P	
	Assumed growth rate 4.1%		Assumed growth rate 4.5%		Assumed growth rate 2.4%		Assumed growth rate 0.5%		Assumed growth rate 3.5%	
	Assumed costs and charges 0.54%		Assumed costs and charges 0.27%		Assumed costs and charges 0.52%		Assumed costs and charges 0.24%		Assumed costs and charges 0.37%	
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	£1,190	£1,200	£1,200	£1,190	£1,180	£1,170	£1,170	£1,190	£1,190
2	£2,410	£2,400	£2,420	£2,410	£2,370	£2,360	£2,320	£2,320	£2,400	£2,390
3	£3,650	£3,620	£3,670	£3,650	£3,550	£3,530	£3,450	£3,440	£3,610	£3,590
4	£4,900	£4,850	£4,940	£4,910	£4,740	£4,690	£4,560	£4,540	£4,840	£4,800
5	£6,170	£6,090	£6,230	£6,190	£5,920	£5,840	£5,640	£5,610	£6,080	£6,020
10	£12,800	£12,500	£13,100	£12,900	£11,800	£11,500	£10,800	£10,600	£12,500	£12,200
15	£20,000	£19,200	£20,700	£20,200	£17,700	£17,000	£15,400	£15,100	£19,200	£18,600
20	£27,800	£26,300	£29,000	£28,200	£23,500	£22,300	£19,600	£19,200	£26,200	£25,200
25	£36,200	£33,800	£38,200	£36,800	£29,300	£27,500	£23,400	£22,800	£33,600	£32,000
30	£45,300	£41,600	£48,300	£46,100	£35,100	£32,500	£26,900	£26,000	£41,300	£39,000
35	£55,200	£49,800	£59,400	£56,300	£40,800	£37,300	£30,000	£28,900	£49,500	£46,200
40	£65,800	£58,500	£71,700	£67,400	£46,500	£42,000	£32,800	£31,500	£58,000	£53,700
45	£77,200	£67,600	£85,200	£79,400	£52,200	£46,600	£35,400	£33,800	£67,000	£61,300
50	£89,600	£77,200	£100,000	£92,400	£57,900	£51,000	£37,700	£35,900	£76,400	£69,200

Illustration of effect of costs and charges for funds with different growth rates and charges within **your scheme – Orange Business Services Defined Contribution Pension Plan**

	Av BlackRock Sterling Liquidity-FPBGIC_P		Av Legal&General(PMC) Pre-Ret-FPLGPREP		Av BlackRock (50:50) Global Equity Index Tracker-FPGBEX_P		Av Mercer Active Global Small Cap Equity-FPMASCEP	
	Assumed growth rate 0.5%		Assumed growth rate 1.5%		Assumed growth rate 4.5%		Assumed growth rate 4.5%	
	Assumed costs and charges 0.24%		Assumed costs and charges 0.24%		Assumed costs and charges 0.27%		Assumed costs and charges 1.53%	
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	£1,170	£1,170	£1,180	£1,180	£1,200	£1,200	£1,200	£1,190
2	£2,320	£2,320	£2,350	£2,340	£2,420	£2,410	£2,420	£2,380
3	£3,450	£3,440	£3,510	£3,490	£3,670	£3,650	£3,670	£3,580
4	£4,560	£4,540	£4,650	£4,630	£4,940	£4,910	£4,940	£4,790
5	£5,640	£5,610	£5,790	£5,750	£6,230	£6,190	£6,230	£5,990
10	£10,800	£10,600	£11,300	£11,200	£13,100	£12,900	£13,100	£12,100
15	£15,400	£15,100	£16,500	£16,300	£20,700	£20,200	£20,700	£18,400
20	£19,600	£19,200	£21,500	£21,000	£29,000	£28,200	£29,000	£24,700
25	£23,400	£22,800	£26,300	£25,600	£38,200	£36,800	£38,200	£31,200
30	£26,900	£26,000	£30,800	£29,800	£48,300	£46,100	£48,300	£37,900
35	£30,000	£28,900	£35,100	£33,800	£59,400	£56,300	£59,400	£44,600
40	£32,800	£31,500	£39,200	£37,500	£71,700	£67,400	£71,700	£51,500
45	£35,400	£33,800	£43,200	£41,100	£85,200	£79,400	£85,200	£58,600
50	£37,700	£35,900	£46,900	£44,400	£100,000	£92,400	£100,000	£65,800

It's important to understand how much or how little difference charges make to members' Retirement Accounts, but Aviva can't predict exactly what will happen in the future so a number of assumptions have had to be made. The values shown are estimates and are not guaranteed.

These assumptions are set out below:

1. Aviva have assumed that a member doesn't have anything in their Retirement Account when they start saving. Contributions paid are assumed to be £100 a month, increasing in line with assumed earnings inflation of 2.5% each year.
2. The figures illustrate the Retirement Account 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 what Retirement Accounts 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 monetary value of a Retirement Account 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.

The figures shown above shouldn't be used by members to make investment decisions; where members need to do that, the Trustees recommend that financial advice is taken. The figures may also not be relevant to every member's personal circumstances. Retirement Accounts may be invested in different funds, for example.

The illustrations have sought to meet the regulatory requirement to 'include, in relation to the charges and transaction costs which trustees or managers are required to calculate, an illustrative example of the cumulative effect over time of the application of those charges and costs on the value of a member's accrued rights to money purchase benefits'.

The illustrations included in this Statement pay due regard to statutory guidance from the Department of Work and Pensions ('DWP') along with the Government's consultation response on charge disclosure.

Aviva's aim is to produce the range of illustrations required to comply with the regulations but also to meet the policy intent of enabling members to understand the cumulative effect over time that charges and costs have on their benefits.

Aviva recognise the challenge faced by trustees of established schemes with a heterogenic membership that can have a significant range of ages, contribution rates and accumulated fund values within their scheme. In arriving at their solution Aviva have sought to provide an illustration that adds value for all members, and have sought input from DWP regarding the compliance of their approach.

Taking key elements in turn:

- Duration: Aviva have assumed a 50-year term to comply with the requirement in paragraph 52 of the statutory guidance to base the term on the youngest member to the Plan's retirement date. While pension schemes may have a Normal Retirement Age ('NRA') lower than state pension age, Aviva don't think it's appropriate to use a shorter term based on this as:
    - Automatic enrolment regulations demand that members are enrolled at any age up to State Pension Age, and that they can opt in from an earlier age than age 22.
    - Aviva believe that receipt of a state pension will be a significant enabler for members to retire, leading to members retiring at this age rather than an earlier NRA.

  Given that all members aged 41 and under will receive a state pension from age 68, Aviva believe a term from age 18 to age 68 is appropriate, regardless of the Plan's NRA.

Providing a term that is possibly longer than required allows all members to see the impact of charges on a shorter term if that applies to them. If the term is limited, those who join the Plan at an early age would not be able to see the impact of charges over what is likely to be their full term to retirement.

- Retirement Account size: Aviva have chosen to illustrate a starting Retirement Account size of zero as this is typical of the starting size of the youngest member. Aviva did not feel it was appropriate to illustrate the median Retirement Account size as the youngest members will not hold the median Retirement Account size when they join the Plan. Taking a median size approach will overstate both projected benefits and the charges taken over the term to retirement.

- Contributions: Aviva are conscious that pension schemes can contain members with a wide range of salaries, and therefore contribution amounts. Using an average, median or modal contribution rate would not be helpful to the very significant % of members who contribute at different levels. The youngest members are also unlikely to be contributing a median amount, leading to benefits being overstated in the same way if median fund values are used.

  Aviva chose to illustrate a contribution of £100 per month to allow members to extrapolate or interpolate the approximate impact of charges based on their own circumstances. Using a contribution amount of a 'typical' member would allow this; however, Aviva felt that calculations would be less intuitive.

- Range of funds: To ensure that Aviva cover a sufficient range of funds with different rates of charge and return, they have illustrated:

  - The funds that make up the default arrangement
  - A highest and lowest charge fund
  - A highest and lowest growth fund

  This is in line with paragraphs 44 and 51 of the statutory guidance.

Aviva believe that their approach as described above is in line with paragraph 114 of the Government's consultation response on charge disclosure. They have engaged the DWP to obtain a view as to whether the DWP believe that their statement in paragraph 114 is in line with the statutory guidance.

The DWP's view is that paragraph 114 does not contradict the guidance and that the statutory guidance on account size is that, if trustees and managers chose to use just one size, the median size within the scheme might be a useful benchmark. Similarly, the DWP do not feel that the requirement that contributions should be broadly representative is incompatible with the concept of illustrating the impact of investing £1,000 per annum.

While the DWP cannot give a legal view or interpret their own legislation, Aviva have taken comfort that their approach meets the regulatory requirements and the policy intent with regard to the provision of information on charges.

Value of Member Borne Deductions

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 money assessment.

Taking into account ratings and performance in combination with the administration costs and performance delivered from the administration service, the Trustees have concluded that the member-borne deductions (charges) within the Plan represent good value for money.

The main reasons underpinning this conclusion are as follows:

- *Charges for the Plan's default investment arrangement are significantly below the charge cap of 0.75% pa;*
- *Administration and investment manager charges for the majority of the funds have been assessed by our advisers as comparing favourably with those of peer funds;*
- *Our advisers have seen no evidence that other member-borne costs, such as transaction costs and interest on borrowings, are uncompetitive;*
- *The funds used by the Plan are highly-rated by Mercer as having good prospects of achieving their risk and return objectives; and*
- *The performance of the majority of the Plan's funds over the 3 years to 31 December 2020 compares favourably relative to the benchmarks set by the Trustees.*

Additionally, the Company pays for all governance, Trustee-led member communication, insurance and advisory costs associated with operating the Plan, which further enhances the value that members receive. Although there was a formal complaint by the Trustees to Aviva regarding the standard of specific areas of the administration service during the Plan year, the Trustees are now satisfied that appropriate steps have been taken by the provider to ensure that the quality of its service received by members will now be back in line with expectations.

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 must also be conversant with the Plan's own documentation (focusing on the Plan's trust deed and rules and SIP). The Trustees must be conversant too with any other documentation recording current policy relating to the administration of the Plan generally. The Pensions Regulator interprets 'conversant' as having a working knowledge of those documents such that the Trustees are able to use them effectively when they are required to do so in the course of carrying out their duties.

The Trustees are required to disclose how these duties have been fulfilled and how their combined knowledge and understanding, together with the advice which is available to them, enables them to properly exercise their duties and responsibilities. The table below indicates how these requirements have been met during the year.

Requirement	How met
The Trustees must have appropriate knowledge and understanding of the law relating to pensions and trusts and the investment of assets.	The Trustees are required to have a robust training programme in place for newly appointed Trustees. For the Plan, upon appointment, a Trustee is required to undertake an induction process. This includes a training session with relevant advisers, as well as completion of the Pensions Regulator's ('TPR's) online training programme. The initial training session must be completed ahead of the Trustee's first formal Trustees' meeting, with the Trustee toolkit completed within six months of appointment. At 31 December 2020, all Trustees (excluding those appointed during the year) had completed TPR's online training programme and have received appropriate introductory training, so have a working knowledge and understanding of pension and trust law and of investment

	principles. The Trustees periodically undertake ‘gap analysis’ to identify specific training needs which are then addressed in a dedicated training plan. The Trustees undertook such an exercise in 2019, the results of which were used to inform a training plan which they continue to work through. Ongoing training is provided by professional advisers collectively, as part of routine Trustees’ meetings and via an annual ‘training day’. The incidence of COVID-19 has precluded the delivery of collective training during the Plan year, although the Trustees have continued to undertake individual training to meet their specific needs. Collective training has, since the Plan year-end resumed, with the Trustees undertaking a collective training session on cyber security in June 2021. All training is documented in logs maintained by the Trustees’ advisers. During 2018, the Trustees obtained an ‘assurance statement’ regarding the extent to which it embeds the requirements of the former DC Code of Practice within its governance framework. This has helped the Trustees to further their understanding of the Code’s provisions and of the standards of governance expected by TPR. The Trustees will review and re-assess whether the systems, processes and controls within the Plan are sufficient against the relevant provisions of the expected revised single Code of Practice when it is issued by TPR.
The Trustees must be conversant with the Plan’s own documentation and of the Trust Deed and Rules.	All key Plan documentation has been collated for this purpose and is held securely within an online reference library to which all Plan Trustees have secure access. Periodic training has focused on Plan documentation, such as the Trust Deed & Rules, the Member Guide and the SIP (which was reviewed and updated during the year). The Trustees also received training about the requirement to publish an Engagement Policy Implementation Statement during the year Where Trustee powers or discretions are exercised, reference is made to the relevant provisions within the Plan’s documentation. As such, each Trustee has a working knowledge of the Plan’s Trust Deed & Rules.
The Trustees must have a working knowledge of the Plan’s SIP and sufficient knowledge of the relevant principles relating to investments.	The Trustees undertake relevant investment-focused training to ensure they have sufficient knowledge of the main principles relating to investments. In addition, Trustees review investment performance quarterly.
The Trustees must have a working knowledge of all documents setting out the Trustees’ current policies.	All documents setting out the Trustees’ current policies are reviewed periodically. The risk register, for example, is reviewed annually to

	ensure that all possible measures are in place to mitigate the primary risks associated with managing the Plan. The Trustees also adopt an Operating Plan at the beginning of each year to set out their key objectives for the coming year; this document is updated and reviewed at each quarterly meeting. All other policy documents are held securely online and are referred to in the course of the Trustees' routine work.
The Trustees' combined knowledge and understanding, together with their available advice, enables them to properly exercise their functions.	The Trustees require that any new Trustee completes TPR's online training modules (relevant to DC benefits) within 6 months of their appointment, and currently the two new Trustees are completing them. All new Trustees are provided with a suitable induction which includes an introduction to the Plan's key documentation and an introductory training session run by the Plan's advisers. The Plan's Trustee board comprises individuals with diverse professional skills and experiences (including finance, HR, and operations management) reflecting the varied nature of the challenges that its governance must address. The Company pays all reasonable expenses of the Trustees attending conferences or externally-run training courses relevant to their role. The Trustees also meet with their professional advisers at least quarterly to transact core business, and each meeting includes an overview of topical news and developments.

In addition to the above, the Trustees participated collectively in training sessions delivered by their professional advisers during the year that covered a variety of value creation and value protection themes. These included sessions on:

- New regulatory requirements relating to the Engagement Policy Implementation Statement on 29 November 2020;
- Regulatory changes to the SIP on 11 June 2020;
- Impact of Covid-19 on financial markets on 10 September 2020;
- CMA regulation and compliance requirements on 10 September 2020;
- Impact of fund suspensions and the creation of new 'technical defaults' on 10 September 2020, 26 November 2020 and 25 February 2021; and
- Potential impact on the Plan of the Government's consultation about improving outcomes for members of DC schemes on 25 February 2021.

Additionally, at each of their meetings, the Trustees considered a report that summarises forthcoming changes to regulations, their potential impact on the Plan and the actions that are required to ensure compliance.

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 to the best of my knowledge.

Signature:

Name: Con McMahon
Position: Chairman of the Trustees of the OBS DC Pension Plan
Date: 10 June 2021

Additional relevant information:

Statement of Investment Principles dated 29 September 2020

ORANGE BUSINESS SERVICES DEFINED CONTRIBUTION PENSION PLAN

STATEMENT OF INVESTMENT PRINCIPLES – SEPTEMBER 2020

1. **Introduction**

The Trustees of the Orange Business Services Defined Contribution Pension Plan (the "Plan") have drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of

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

As required under Section 36(6) of the Pensions Act 1995, the Trustees have consulted a suitably qualified person by obtaining written advice from Mercer Limited ("Mercer"). The Trustees, in preparing this Statement, have also consulted Orange Business Holdings UK Limited (the "Company"), in particular on the Trustees' objectives.

The Trustee's policy is to offer a range of pooled investment vehicles providing different investment risk and reward profiles to meet a range of different objectives for the different members of the Plan with regard to:

- Differing ages;
- Members' attitudes to risk;
- Differing expectations as to time of retirement; and
- The options available to members as to the way in which their benefits from their investments are to be taken.

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.

Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustees (acting on advice as they deem appropriate) and is driven by the investment objectives as set out in Section 2 below. The remaining elements of policy are part of the day-to-day management of the assets which is delegated to professional investment managers and described in Section 3.

2. Investment Objectives and Risk

2.1 Investment Objectives

The Trustees recognise that individual members have differing investment needs and that these may change during the course of their working lives. It is also recognised that members have differing attitudes to risk. The Trustees believe that members should make their own investment decisions based on their individual circumstances. Therefore one objective is to make available a range of lifestyle strategies and self-select investment options sufficient to enable members to tailor their investment strategy to their own needs with the aim to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.

The Trustees also recognise that members may not believe themselves qualified to take investment decisions. As such the Trustees also have an objective to make available a default investment option for those members who do not make an active choice. The Trustees believe that the Plan's default investment option meets the requirements of the Pensions Regulator Code, Section 17(2) of the Pensions Act 2008 and the Code of Practice No. 13 (the "DC Code") and subsequent legislation, and therefore represents an appropriate default investment option for members. The Trustees do, however, recognise that this option cannot meet every individual member's needs. Please see section 3 for further details on the default investment option.

The Trustees' objectives are therefore:

i. To provide members with a range of investment options to enable them to tailor their investment strategy to their needs, specifically in controlling the risks inherent in their savings. In particular, to make available vehicles which aim:

   a. To maximise the value of members' assets at retirement.

   b. To maintain the purchasing power of members' savings.

   c. To provide protection for members' accumulated assets in the years approaching retirement against:

      - Sudden (downward) volatility in the capital value;

      - Fluctuations in the (implicit and explicit) cost of retirement benefits.

ii. To establish a default investment option which is broadly reasonable for any member not wishing to make his/her own decisions.

iii. To avoid over-complexity in investment in order to keep administration costs and employee understanding to a reasonable level.

The Trustees will regularly review the suitability of the options provided and from time to time will change managers or introduce additional investment portfolios as appropriate. The Trustees undertake to review the DC Section's fund choices offered to members and the investment manager arrangements on a regular basis. In considering appropriate investments and suitability for the Plan, the Trustees have obtained and considered the written advice of suitability qualified investment advisors. The advice received and arrangements implemented is based on investing in members' best interests. The selection of investments, the management of investments, delegation and seeking advice are in the Trustee's opinion consistent with the requirements of Section 36 of the Pensions Act 1995 (Choosing investments) (as amended).

All funds are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore should be realisable at short notice, based on member demand.

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 DC Section as a whole. The Trustees believe that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on the member's age and when they expect to retire.

It is the members' decision to determine their balance between the different kinds of investments they hold. This balance will determine the expected return on members' assets and should be related to the members' own risk appetites and tolerances.

The Trustees believe that environmental, social, and corporate governance (ESG) factors do have a financially material impact on investment risk and return outcomes. Further details of the Trustee's view could be found in section 6 of this Statement.

2.2 Risk

In considering the range of funds to offer to members, the Trustees acknowledge that the investment time horizon of each individual member is different and will be dependent upon their current age and when they expect to retire. In designing the lifestyle options, the Trustees have taken the proximity to the target retirement date into account when designing the strategy and the associated financially material risks over the strategy's full time horizon.

The Trustees have taken into consideration, on behalf of the members, the following aspects of risk:

<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="6">Market risks</td><td>Inflation risk</td><td>The risk that the investment return over members' working lives will not keep pace with inflation and does not, therefore secure an adequate pension.</td><td>The Trustees make available a range of funds, across various asset classes, with the majority expected to keep pace with inflation.</td></tr>
<tr><td>Currency risk</td><td>The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.</td><td>Use of currency hedging in some assets to reduce the influence of currency fluctuation in foreign investments.</td></tr>
<tr><td>Credit risk</td><td>The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.</td><td rowspan="4">Members are able to set their own investment allocations, in line with their risk tolerances.
Within active funds, management of many of these market risks is delegated to the investment manager.</td></tr>
<tr><td>Interest rate risk</td><td>The risk that unfavourable interest rate movements, particularly in the years just prior to retirement may lead to a reduction in the amount of income that the member's retirement account can secure.</td></tr>
<tr><td>Concentration risk</td><td>The risk that an adverse influence on investment values from the poor performance of a small number of individual investments</td></tr>
<tr><td>Equity, property and other price risk</td><td>The risk that investment market movements lead to a substantial reduction in the anticipated level of the benefit.</td></tr>
<tr><td colspan="2">Environmental, Social and Corporate Governance risk</td><td>The risk that environmental, social or corporate governance concerns, including climate change, have a financially material impact on the return of the Plan's assets.</td><td>The management of ESG related risks is delegated to investment managers.
See section 5 below, for the Trustees' responsible investment and corporate governance statement.</td></tr>
<tr><td colspan="2">Investment Manager risk</td><td>The risk that the investment manager underperforms its objectives, fails to carry out operational tasks, does not ensure safe-keeping of assets or breaches agreed guidelines.</td><td>The Trustees regularly reviews performance of investment funds.</td></tr>
</table>

Liquidity risk	The risk that the Plan's assets cannot be realised at short notice in line with member demand.	The Plan is invested in daily dealt and daily priced pooled funds. Units in the pooled funds in which the Plan invests are believed to be readily redeemable.
Pension Conversion risk	The risks that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement.	The Trustees make available three lifestyle strategies for DC members. Lifestyle strategies automatically switch member assets into investments whose value is expected to be less volatile relative to how the member wishes to access their pension savings as they approach retirement age.

The Trustees pay close regard to the risks which may arise from the lack of diversification of investments. The Trustees believe that the choice of funds in place provides an adequately diversified distribution of assets.

2.3 **Investment Strategy**

The Trustees offer the following investment options to the members.

All the funds are open-ended with no set end date for the arrangement. The fund range and default strategy are reviewed on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy or general fund range.

The Trustees believe that this range of options is suitable for meeting their investment objectives and risk considerations:

i. **Developed Equity Fund**

This fund invests in UK and overseas equities of developed countries and is managed on an index-tracking basis. The target split between UK and overseas equities is 50/50. The index-tracking fund has an objective of matching index returns in each market.

During the accumulation phase for members' assets, equity-based funds are expected to provide longer term outperformance, relative to inflation and other asset classes (although over short term periods they may also demonstrate more volatility in performance than other asset classes).

ii. **Emerging Markets Equity Funds**

These funds invest in the equities of emerging market countries and are managed on an active basis with the objective of outperforming its benchmark index. The Trustees offer two such funds as one fund is closed to new members who have not previously invested in it (Stewart Investors Global Emerging Market Leaders) and the other is open to investment from all members (Wells Fargo Worldwide Emerging Markets Equity).

iii. **Emerging Markets Equity Fund**

This fund invests in the equities of emerging market countries and is managed on an index-tracking basis. This fund is closed to new members who have not previously invested in it.

iv. **Smaller Companies Fund**

This fund invests in the equities of smaller companies across the world. The purpose of this fund is to provide members with additional choice and diversity of investment options. The fund is managed on an active basis with the objective of outperforming its benchmark index.

v. **Diversified Growth Fund**

This fund aims to generate growth from diversified sources of return and hence invests across multiple "growth-seeking" asset classes. The use of diversification amongst the sources of growth is expected to generate performance similar to an equity investment with a reduced level of volatility (risk), over long-term periods.

vi. **Balanced Fund**

This fund invests across various traditional asset classes (i.e. equities, bonds, and cash) with the predominant asset class being equities. The fund is managed on an active basis with the objective of outperforming similar funds in the marketplace. The fund is expected to offer a balance between return and risk given that it is invested in equities, but also has an allocation to more defensive assets which should help to dampen the volatility of returns.

vii. **Shariah Fund**

This fund has been introduced to fulfil the needs of members wishing to invest their Retirement Account in a manner which complies with Shariah Law investment practices. The fund invests in global equities and is managed on an index-tracking basis against the Dow Jones Islamic Titans 100 Index, which consists of Shariah-compliant companies. These stocks have been endorsed by the Dow Jones Shariah Supervisory Committee, an independent board of Islamic scholars who advise Dow Jones on the compliance and eligibility of the index's components.

viii. **Ethical Fund**

This fund is expected to have a similar asset class exposure to the Balanced Fund, but stock selection will be primarily driven by the ethical screening criteria adopted by the investment manager in its assessment of companies.

ix. **Property Fund**

The purpose of this fund is to provide members with additional choice and diversity of investment options. The fund primarily invests in commercial property and its objective is to outperform similar funds in the marketplace.

x. **Long-dated Gilt Fund**

The purpose of this fund is to provide a hedge against the fluctuating cost of converting accumulated contributions at a member's retirement date into a fixed annuity pension. This fund is also appropriate for those members that are risk averse and who want to invest on a lower risk basis (relative to equities).

xi. **Index-linked Gilt Fund**

The purpose of this fund is to provide a hedge against the fluctuating cost of converting accumulated contributions at a member's retirement date into an inflation-linked annuity pension. Additionally, index-linked funds can provide protection for assets from increases in inflation in the period leading up to retirement.

xii. **Corporate Bond Fund**

This fund allows members to invest in passively managed, sterling-denominated, investment-grade corporate bonds. Corporate bonds carry an inherent credit risk (of the bond issuer defaulting on their obligations to make payments in relation to the bond) for which investors are compensated for via a higher yield than those available on sterling government-issued bonds of similar term and coupon structure.

xiii. **Pre-Retirement Fund**

This fund aims to match the short-term changes in prices of a typical non-inflation linked pension annuity product, and is made up of a dynamic blend of investment grade corporate bonds and UK gilts. This fund is designed for members who are looking to purchase a non-inflation linked annuity at retirement.

xiv. **Income Drawdown Fund**

This fund aims to provide moderate levels of growth by investing in a diversified range of asset classes including equities, fixed income and real assets, with a bias towards more defensive asset classes. This fund is designed for members who are targeting income drawdown in retirement.

xv. **Cash Fund**

The purpose of this fund is to provide capital security while earning interest at similar levels to deposit rates. It aims to lock in investment gains during the run-up to retirement on that part of the member's benefit that will be taken as cash at retirement.

The Trustees have also introduced four risk-graded investment options, as detailed below:

xvi. **High Growth/Higher Risk**

This fund invests in a wide range of growth asset classes, including but not limited to equities. Equities are expected to provide relatively high returns compared to most other asset classes (albeit not guaranteed) but are also expected to be the most risky (i.e. can change in value the most, both up and down). This fund aims to provide long-term growth but with a lower level of risk than a fund fully invested in equities.

xvii. **Growth/Balanced Risk**

This fund invests in a wide range of growth asset classes, including but not limited to equities. This fund aims to provide long-term growth but with a lower level of risk than a fund fully invested in equities.

xviii. **Moderate Growth/Moderate Risk**

This fund invests in a wide range of growth asset classes, including but not limited to equities, and also includes an allocation to defensive bond investments. This fund aims to provide long-term growth but with a lower level of risk than the Higher Growth and Growth Funds.

xix. **Defensive/Lower risk**

This fund invests in a mixture of growth assets, defensive assets and cash. The main purpose of this fund is to help preserve the purchasing power of investments which are to be converted into a tax free cash lump sum and annual pension at retirement. It can also be used as a lower risk investment option, although the risk remains that assets could fall in value.

2.4 Lifetime Investment Programmes

The Trustees also offer three Lifetime Investment Programmes as investment options, each targeting a different benefit type at retirement. The aim of each programme is to protect the value of members' assets in the run up to retirement and retain their purchasing power relative to the specific type of benefit targeted by each programme.

Income Drawdown Lifetime Investment Programme

This is the default investment option for the Plan.

This programme is aimed at members who wish to remain invested and draw an income directly from their assets as multiple cash payments throughout retirement. Assets are progressively switched over an 8 year period prior to their chosen retirement age from the Growth Fund into the Income Drawdown Fund and the Cash Fund as follows:

1. Time to retirement 2. (years)	**3. Growth Fund 4. (%)**	**5. Income Drawdown Fund (%)**	**6. Cash Fund 7. (%)**
A. >8	B. 100	C. 0	D. 0
E. 7	F. 87	G. 13	H. 0
I. 6	J. 75	K. 25	L. 0
M. 5	N. 62	O. 38	P. 0
Q. 4	R. 50	S. 50	T. 0
U. 3	V. 37	W. 63	X. 0
Y. 2	Z. 25	AA. 67	BB. 8
CC. 1	DD. 12	EE. 71	FF. 17
GG. 0	HH. 0	II. 75	JJ. 25

Annuity Purchase Lifetime Investment Programme

This programme is aimed at members who wish to purchase a level annuity at retirement and take a 25% tax-free cash lump sum. Assets are progressively switched over an 8 year period prior to their chosen retirement age from the Growth Fund into the Pre-Retirement Fund and the Cash Fund as follows:

8. Time to retirement 9. (years)	**10. Growth Fund 11. (%)**	**12. Pre-Retirement Fund 13. (%)**	**14. Cash Fund 15. (%)**
A. >8	B. 100	C. 0	D. 0
E. 7	F. 87	G. 13	H. 0
I. 6	J. 75	K. 25	L. 0
M. 5	N. 62	O. 38	P. 0
Q. 4	R. 50	S. 50	T. 0
U. 3	V. 37	W. 63	X. 0
Y. 2	Z. 25	AA. 67	BB. 8
CC. 1	DD. 12	EE. 71	FF. 17
GG. 0	HH. 0	II. 75	JJ. 25

Cash Lump Sum Lifetime Investment Programme

This programme is aimed at members who wish to take their entire pension pot as a cash lump sum at retirement. Assets are progressively switched over an 8 year period prior to their chosen retirement age from the Growth Fund into the Corporate Bond Fund and then to the Cash Fund as follows:

16. Time to retirement 17. (years)	18. Growth Fund 19. (%)	20. Corporate Bond Fund 21. (%)	22. Cash Fund 23. (%)
A. >8	B. 100	C. 0	D. 0
E. 7	F. 87	G. 13	H. 0
I. 6	J. 75	K. 25	L. 0
M. 5	N. 62	O. 38	P. 0
Q. 4	R. 50	S. 50	T. 0
U. 3	V. 37	W. 38	X. 25
Y. 2	Z. 25	AA. 25	BB. 50
CC. 1	DD. 12	EE. 13	FF. 75
GG. 0	HH. 0	II. 0	JJ. 100

2.5 Legacy Lifestyle Investment Programmes

The Plan also has three legacy Lifestyle Investment Programmes which are no longer available for the investment of new contributions. There are three such programmes in place; 3, 5 and 10 year variants which aim to protect the annuity purchasing power of members’ benefits in the run up to retirement. For members who have chosen a given Lifestyle Investment Programme (e.g. 3, 5 or 10 years), their self-selected investments will be progressively switched into the Pre-Retirement Fund and Cash Fund, on a periodic basis, commencing a number of years (i.e. 3, 5 or 10 years) prior to their chosen retirement age. The tables that follow illustrate the switching process in each programme.

3 Year Lifestyle Investment Programme Matrix

24. Time to retirement 25. (years)	26. Pre-Retirement Fund (%)	27. Cash Fund 28. (%)	29. Pre-Lifestyle Funds 30. (%)
A. >3	B. 0	C. 0	D. 100
E. 2	F. 17	G. 8	H. 75
I. 1	J. 48	K. 17	L. 35
M. 0	N. 75	O. 25	P. 0

5 Year Lifestyle Investment Programme Matrix

31. Time to retirement 32. (years)	33. Pre-Retirement Fund (%)	34. Cash Fund 35. (%)	36. Pre-Lifestyle Funds 37. (%)
A. >5	B. 0	C. 0	D. 100
E. 4	F. 20	G. 0	H. 80
I. 3	J. 40	K. 0	L. 60
M. 2	N. 52	O. 8	P. 40
Q. 1	R. 63	S. 17	T. 20
U. 0	V. 75	W. 25	X. 0

10 Year Lifestyle Investment Programme Matrix

38. Time to retirement 39. (years)	40. Pre-Retirement Fund (%)	41. Cash Fund 42. (%)	43. Pre-Lifestyle Funds 44. (%)
A. >10	B. 0	C. 0	D. 100
E. 9	F. 10	G. 0	H. 90
I. 8	J. 20	K. 0	L. 80
M. 7	N. 30	O. 0	P. 70
Q. 6	R. 40	S. 0	T. 60
U. 5	V. 50	W. 0	X. 50
Y. 4	Z. 60	AA. 0	BB. 40
CC. 3	DD. 70	EE. 0	FF. 30
GG. 2	HH. 72	II. 8	JJ. 20
KK. 1	LL. 73	MM. 17	NN. 10
OO. 0	PP. 75	QQ. 25	RR. 0

3. Default Investment Option

The "Income Drawdown Lifetime Investment Programme" is the default investment option for the Plan. Typically, a proportion of members will actively choose the default investment option because they feel it is most appropriate for them. However, the vast majority of members do not make an active investment decision and are invested in the default investment option. The Trustees have designed the default to be in the best interest of the majority of members but recognise it will not be right for all members.

The items in this section are in relation to what the Trustees consider financially material considerations in the default investment option. The Trustees believe the appropriate time horizons 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 partly for this reason that the default arrangement investment option is a lifestyle strategy.

Each members' time to retirement will determine the balance between the different kinds of investments members hold within the lifestyle strategy. This balance will determine the expected return on members' assets and is intended to be related to the members' own risk appetites and tolerances.

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

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

  a. *The default investment option's growth phase invests in the Aviva Pension Mercer Growth/Balanced Risk Fund which consists of equities and other growth-seeking assets. These investments are expected to provide equity-like growth over the long term with some downside protection and some protection against inflation erosion.*

- To provide a strategy that reduces investment risk for members as they approach retirement.

  b. *As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustees believe that a strategy that seeks to reduce investment risk as the member approaches retirement is appropriate. Moreover, as members approach retirement, the Trustees believe the primary aim should be to provide protection against a large decrease in asset values and the expected costs of retirement benefits.*

  c. *In view of the above, the Trustees consider the level of risk within the default investment option in the context of the variability of returns relative to a premium over longer-term cash rates.*

  d. *These aims are achieved via automated lifestyle switches over the eight year period to a member's selected retirement date. Investments are switched firstly into the Aviva Pension Mercer Diversified Retirement Fund which seeks to achieve medium to long term growth of capital and income through investing in a diversified range of asset classes including equities, fixed income and real assets, with a bias towards more defensive asset classes. Three years prior to retirement, an allocation to the Aviva Pension BlackRock Institutional Sterling Liquidity Fund is introduced for capital preservation purposes.*

- To provide exposure, at retirement, to assets that are broadly appropriate for an individual planning to use their savings in the Plan to take a 25% tax-free cash lump sum at retirement and keep the majority of their assets invested, allowing them to draw down their income as necessary thereafter.

  e. *At the member's selected retirement date, 75% will be invested in the Aviva Pension Mercer Diversified Retirement Fund and 25% in the Aviva Pension BlackRock Institutional Sterling Liquidity Fund.*

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

- The default investment option manages investment 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. In designing the default investment option, the Trustees have explicitly considered the trade-off between risk and expected returns.

- Assets in the default investment option are invested in the best interests of members and beneficiaries, taking into account the profile of members. In particular, the Trustees considered detailed profiling analysis of the Plan's membership in order to inform decisions regarding the default investment option. Based on this understanding of the membership, a default investment option that targets income drawdown in retirement is considered appropriate.

- Members are supported by clear communications regarding the aims of the default investment option and the access to alternative investment approaches. If members wish to, they can opt to choose their own investment strategy or an alternative lifestyle strategy on joining but also at any other future date. Moreover, members do not have to take their retirement benefits in line with those targeted by the default investment option; the target benefits are merely used to determine the investment strategy held pre-retirement.

- Assets in the default investment option are invested in daily traded pooled funds which hold highly liquid assets. The pooled funds are commingled investment vehicles which are managed by various Investment Managers. The selection, retention and realisation of assets within the pooled funds are delegated to the respective Investment Managers in line with the mandates of the funds.

- Likewise, the Investment Managers have full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments.

The Plan offers alternative lifestyle investment options which target different retirement benefits than that targeted by the default investment option, namely annuity targeting (including an allowance for tax-free cash benefits of 25%) and cash-out.

In addition, a range of self-select funds are offered to members.

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

3.1 The Trustees' Policy with regard to risk in relation to the Default Investment Option

In addition to the Trustees' Policy to risk monitoring and management set out in section 2.2, the Trustees have considered the following items to monitor and manage the risk in relation to the default investment option. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members. In particular, when reviewing the investment strategy of the default investment option, the Trustees consider risk quantitatively in terms of the variability of investment returns and potential retirement outcomes for members. From a qualitative perspective, the Trustees also consider risk in terms of the (mis)alignment of investments with the retirement benefits targeted by the default investment option. The Trustees have considered how to monitor risks from a number of perspectives in the default investment option. The list below is not exhaustive but covers the additional risks that the Trustees consider specifically with regards to the default and how they are managed.

Market Risks – The Trustees regularly monitor the performance of the growth phase against inflation. The strategy for the default option is set with the intention of diversifying the market risks to reach a level of risk deemed appropriate. Within active funds, management of many of the market risks is delegated to the investment managers.

Pension Conversion Risk – The default option is a lifestyle strategy which automatically switches member assets into investments whose value is expected to be less volatile relative to the growth phase approaching retirement age and is appropriate for member taking cash lump sum at retirement. The Trustees regularly review the default investment strategy to ensure the destination remains appropriate.

4. Day to Day Management of the Assets

4.1 Main Assets

The investment vehicles for each of the options outlined in 2.3 are listed in the table below. The table also details the Total Expense Ratio (TER) applicable for each investment option within the Plan (including the options which make up the default investment option). The TER includes the annual management charge (AMC) and the platform charge from Aviva. It also includes other fund manager costs not included in the AMC, which can fluctuate from time to time. The TERs shown below are correct as at 31 December 2018 and may vary from this over time.

45. Investment Option	46. Investment Vehicle	47. Total Expense Ratio (%)
A. Developed Equity Fund	B. Aviva Pension BlackRock (50:50) Global Equity Index Fund	48. 0.25
A. Emerging Markets Equity Fund (active)*	B. Aviva Pension Stewart Investors Global Emerging Market Leaders	49. 1.07
A. Emerging Markets Equity Fund (active)	B. Aviva Pension Wells Fargo Worldwide Emerging Markets Equity	50. 1.25
A. Emerging Markets Equity Fund (passive)	B. Aviva Pension BlackRock Emerging Markets Equity	51. 0.48
A. Smaller Companies Fund	B. Aviva Pension Mercer Active Global Small Cap Equity Fund	52. 1.14
A. Diversified Growth Fund	B. Aviva Pension Mercer Diversified Growth Fund	53. 0.47
A. Balanced Fund	B. Aviva Pension Baillie Gifford Managed Fund	54. 0.50
A. Shariah Fund	B. Aviva Pension HSBC Islamic Global Equity Index Fund	55. 0.55
A. Ethical Fund	B. Aviva Pension Stewardship Managed Fund	56. 0.25
A. Property Fund	B. Aviva Pension Property Fund	57. 0.25

45.	Investment Option	46.	Investment Vehicle	47.	Total Expense Ratio (%)
A.	Long-dated Gilt Fund	B.	Aviva Pension BlackRock Over 15 Year Gilts Index Fund	58.	0.25
A.	Index-linked Gilts Fund	B.	Aviva Pension BlackRock Over 5 Year Index Linked Gilts Index Fund	59.	0.25
A.	Corporate Bond Fund	B.	Aviva Pension BlackRock Corporate Bond All Stocks Index Fund	60.	0.25
A.	Pre-Retirement Fund	B.	Aviva Pension L&G Pre-Retirement Fund	61.	0.26
A.	Income Drawdown Fund	B.	Aviva Pension Mercer Diversified Retirement Fund	62.	0.39
A.	Cash Fund	B.	Aviva Pension BlackRock Institutional Sterling Liquidity Fund	63.	0.25
A.	High Growth/ High Risk	B.	Aviva Pension Mercer High Growth/Higher Risk Fund	64.	0.41
A.	Growth/ Balanced Risk	B.	Aviva Pension Mercer Growth/Balanced Risk Fund	65.	0.41
A.	Moderate Growth/ Moderate Risk	B.	Aviva Pension Mercer Moderate Growth/Moderate Risk Fund	66.	0.42
A.	Defensive/ Lower Risk	B.	Aviva Pension Mercer Defensive/Lower Risk Fund	67.	0.36

** This fund is closed to contributions.*

4.2 Realisation of Investments

In general, the Plan's investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments. The investment managers have responsibility for generating cash required for benefit outgo.

5. Investment Manager Appointment, Engagement and Monitoring

Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for.

The Trustees look to their investment consultant for their forward-looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the scheme invests in. The consultant's manager research ratings assist with due diligence and questioning managers during presentations to the trustees and are used in decisions around selection, retention and realisation of manager appointments.

If the investment objective for a particular manager's fund changes, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.

Some appointments are actively managed and the managers are incentivised through remuneration and performance targets (an appointment will be reviewed following periods of sustained underperformance). The Trustees will review the appropriateness of using actively managed funds (on an asset class basis) each quarter.

As the Trustees invest in multi-client pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the manager to align them with the Trustees' policies set out in this statement, but appropriate mandates can be selected to align with the overall investment strategy.

The Trustees expect all underlying investment managers to incorporate the consideration of longer term factors, such as ESG, into their decision making process where appropriate. The extent to which this is so will be considered during the selection, retention and realisation of manager appointments. Voting and engagement activity should be used by investment managers to discuss the performance of an issuer of debt or equity. The Trustees expect external investment managers to incorporate consideration of longer term factors, such as ESG into their decision-making process where appropriate.

The Trustees' focus is on longer-term performance but shorter-term performance is monitored to ensure any concerns can be identified in a timely manner. The Trustees review both absolute and relative performance of the investment managers on a quarterly basis, including assessments of both shorter and longer time horizons. The Trustees also rely upon Mercer's manager research capabilities. The remuneration for investment managers used by the Scheme is based on assets under management; the levels of these fees are reviewed annually as part of the annual value for money assessment to ensure they continue to represent value for members. If the investment managers' performance is not satisfactory, the Trustees will request an explanation of performance and process from the relevant investment manager. If not satisfied with this, the Trustees may request further action be taken, including a review of fees.

The Trustees review an annual stewardship monitoring report, which includes details of voting and engagement activities associated with each of the funds invested in. The Trustees can challenge manager decisions that appear out of line with the investment fund's objectives or the objectives/policies of the scheme.

Portfolio turnover costs for each of the funds are reviewed on an annual basis as part of the annual value for members' assessment. The ability to assess the appropriateness of these costs is limited by the availability of data. The Trustees will monitor industry developments in how to assess these costs and incorporate this in future value for members' assessments. Importantly, performance is reviewed net of portfolio turnover costs.

6. Socially Responsible Investment and Corporate Governance

The Trustees believe that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustees have given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and undertaking engagement activities including exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees consider how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis and is documented at least annually.

Member views are not currently taken into account in the selection, retention and realisation of investments, however the Trustees consider any feedback provided by members.

The Trustees are satisfied that this policy corresponds with their responsibilities to the beneficiaries of the Plan.

7. Review of this Statement

The Trustees will review this Statement in response to any material changes to any aspects of the Plan, which they judge to have a bearing on the stated Investment Policy. Such reviews will occur at least every three years. Any change to this Statement will only be made after having obtained and considered the written advice of the appointed advisors, whom the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have appropriate knowledge and experience of the management of pension scheme investments and will be in consultation with the Company.

For and on behalf of the Trustees of the Orange Business Services Defined Contribution Pension Plan

Trustee

Date: 29 September 2020