

GOVERNANCE STATEMENT FOR THE DEFINED CONTRIBUTION SECTION OF THE RYDER PENSION FUND

Introduction

This Governance Statement sets out the information that the Trustee is required to provide by law – namely demonstrating how the DC Section and DB Section AVCs meet the governance standards that came into effect from 6 April 2015. It covers the period from 1 January 2018 to 31 December 2018.

The default “lifestyle” arrangement

The investment of pension fund assets is often a long-term exercise. The common aim is to have long-term growth which is higher than inflation for most of the time up to retirement. However, the investments most likely to give good long-term returns tend to change in value, sometimes by quite large amounts, and sometimes over quite short periods of time.

To try to reduce the effect of short-term changes in value of the amount of the pension and cash that a member can take using their DC Section fund at retirement, the Trustee has arranged a lifestyle option targeting cash and purchase of an annuity at retirement, and this is the default arrangement for any members who do not choose to invest their DC Section fund in a different way.

Over the longer term funds containing a large proportion of company shares (equities) have often outperformed other types of investment in the past. At the same time, lower expected risk can be achieved by having a spread of investments held in different geographic regions. For this reason the main fund used for the lifestyle option is the BlackRock (50:50) Global Equity Index Fund. This is a fund which invests in shares of UK and overseas companies. Up to 15 years from retirement, the asset allocation is 75% invested in the BlackRock (50:50) Global Equity Index Fund, 8% in the BlackRock DC Diversified Growth Fund, 10% in the BlackRock Over 15 Year Corporate Bond Index and 7% in the BlackRock Over 5 Year Index Linked Gilt Index Fund.

Under the lifestyle option a member's DC fund is gradually moved over the last 15 years before their chosen retirement date into investments which aim to protect the amount of cash and pension at retirement. This is achieved by gradually switching investments, with the aim of being 75% invested in the BlackRock Over 5 Year Index Linked Gilt Index Fund and 25% invested in the BlackRock Institutional Sterling Liquidity Fund at retirement. The lifestyle option does not aim to give the highest investment return; it aims to protect the level of cash and pension on retirement from investment falls or crashes.

The assets underlying the DC Section default option are held in pooled funds, most of which can be realised if the Trustee so requires.

The Trustee is seeking to maximise overall investment returns for the DC Section default option subject to an acceptable level of risk.

There is no default arrangement for the DB Section AVCs.

Statement of Investment Principles in respect of the default arrangement

The key governance issues are addressed in the Trustee's Statement of Investment Principles. The Statement of Investment Principles was last reviewed in April 2017 and is included in Appendix 3.

Reviews of the default arrangement

The default investment strategy was last reviewed in 2016, when it was restructured to be more suitable for members. A review of the strategy is currently underway and the result of the review will be provided in next year's statement.

The Trustee receives quarterly information on the performance of the funds underlying the default arrangement and the additional investment options from the fund manager and this is normally reviewed formally at each Trustee meeting.

Processing of financial transactions

The core financial transactions include investment of contributions, transfers into and out of the Fund, switches between the different investment funds that are available, and payments out of the Fund.

The Fund administrators, XPS Administration, have adopted internal control procedures that are designed to ensure that core financial transactions are processed promptly and accurately.

Service Level Agreements ("SLAs") are in place across all administrative activity on the Fund to ensure that all work is completed in a timely manner. The Trustee receives quarterly reports from the Fund administrators that enables it to monitor the administration service and, in particular, that SLAs are being met.

The Trustee also reviews the annual administration assurance reports obtained by the DB Section AVCs administrator, which provide assurance that the internal control procedures are being followed in practice. The Trustee had no concerns over the administration of financial transactions over the period.

Charges and transaction costs

DC Section

The annual management charges (AMC) and total expense ratios (TER) applicable to the funds underlying the default strategy and the other investment funds available are set out in the table below. The TERs are the sum of the AMCs, any other charges that the funds may incur such as auditing, registry fees and expenses and any discounts that may apply.

Aviva Funds	AMC (p.a.)	TER (p.a.)
BlackRock (50:50) Global Equity Index	0.43%	0.37%
BlackRock Over 15 Year Corporate Bond Index	0.43%	0.37%
BlackRock Over 5 Year Index-Lined Gilt Index	0.43%	0.37%
BlackRock Over 15 Year Gilt Index	0.43%	0.37%
BlackRock DC Diversified Growth Fund	0.98%	0.92%
BlackRock Institutional Sterling Liquidity	0.43%	0.37%

Transaction costs are variable costs associated with investment trading and are incurred when investment funds are bought and sold – either as part of the lifestyle strategy as members move

between funds, or as part of the ongoing smooth running of each fund. The former is an essential part of generating investment returns on behalf of scheme members and to manage risk so that a smoother journey is experienced throughout a member's working life. The latter is an essential part of fund management.

Details of the transaction costs over the period are included in Appendix 1. It has not been possible to provide information on the transaction costs in this statement for the Aviva BlackRock Institutional Sterling Liquidity fund as the underlying investment manager is unable to provide this information at present. It is envisaged that this information will be available in the future.

DB Section AVCs

The annual management charges (AMC) and total expense ratios (TER) applicable to the available Legal & General funds are set out in the table below.

	AMC (p.a.)	TER (p.a.)
Multi-Asset Index	0.25%	0.25%
Over 5 Year Index-Lined Gilts Index	0.10%	0.10%
Global Equity 60:40 Index	0.16%	0.18%
Over 15 Year Gilts Index	0.10%	0.10%
Cash	0.125%	0.125%

The transaction costs for members dealing funds during the assessment period were provided by Legal & General and were as follows:

	Transaction costs (£)	Transaction costs as % of funds traded
Multi-Asset Index	61.33	0.09
Over 5 Year Index-Lined Gilts Index	0.02	0.00
Global Equity 60:40 Index	-129.47	-0.33
Over 15 Year Gilts Index	0.00	0.00
Cash	0.00	0.00

There are also turnover, or "frictional costs" incurred by members in each fund due to securities being bought/sold by the fund. These costs amounted to either nil or less than 0.01%, depending on the fund, for each quarter in the assessment period.

The expense charge on the with-profits AVC funds held by Equitable Life is 1% p.a. This expense charge is made when calculating the return allocated to the funds each year. In addition to this, Equitable Life hold back some of the with-profits fund each year to meet the cost of paying guaranteed benefits in the future. This charge is 0.5% p.a.

Illustration of charges levied on members

The table below shows how different costs and charges can impact the pension pot of members over certain periods of time, based on a selection of investment funds available in the DC Section of the Fund. These illustrations have been provided by Aviva, and are based on the following assumptions:

- The member does not have anything in their pension pot when they start saving. Contributions are assumed to be paid at a rate of £100 per month increasing in line with assumed earnings inflation of 2.5% each year.

- 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.
- Transaction costs may not have been included where data was not available from the fund managers.

Further information can be found in the statement provided by Aviva with the illustrations, which is reproduced in Appendix 2.

Illustration of effect of cost and charges for typical funds within your scheme - Ryder Pension Fund - DC Section										
	Av BlackRock (50/50) Global Equity Index (Aquila C) FPGBEK_P		Av BlackRock Over 5 Year Index-Linked Gilt Index (Aquila C) FPIIGX_P		Av BlackRock Over 15 Year Corporate Bond Index (Aquila C) FPKIF_P		Av BlackRock UC Diversified Growth FPLDGP		Av BlackRock Institutional Sterling Liquidity FPGIC_P	
	Assumed growth rate 5%		Assumed growth rate 2%		Assumed growth rate 3%		Assumed growth rate 4.5%		Assumed growth rate 1.5%	
	Assumed costs and charges 0.31%		Assumed costs and charges 0.38%		Assumed costs and charges 0.38%		Assumed costs and charges 0.7%		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	£1,200	£1,180	£1,180	£1,190	£1,190	£1,200	£1,190	£1,180	£1,180
2	£2,430	£2,430	£2,350	£2,350	£2,390	£2,380	£2,420	£2,390	£2,350	£2,340
3	£3,700	£3,680	£3,530	£3,510	£3,590	£3,570	£3,660	£3,600	£3,510	£3,490
4	£4,990	£4,960	£4,700	£4,660	£4,790	£4,760	£4,920	£4,820	£4,650	£4,620
5	£6,310	£6,260	£5,850	£5,800	£6,010	£5,950	£6,200	£6,050	£5,790	£5,730
10	£13,400	£13,200	£11,600	£11,400	£12,200	£11,900	£13,000	£12,300	£11,300	£11,100
15	£21,500	£20,900	£17,200	£16,700	£18,500	£17,900	£20,400	£18,900	£16,500	£16,100
20	£30,500	£29,500	£22,600	£21,800	£24,000	£24,000	£28,400	£25,700	£21,500	£20,800
25	£40,700	£39,100	£27,000	£26,600	£31,500	£30,000	£37,200	£32,700	£26,300	£25,200
30	£52,300	£49,700	£33,100	£31,300	£38,300	£36,100	£46,800	£40,100	£30,800	£29,300
35	£65,300	£61,400	£38,200	£35,800	£45,300	£42,300	£57,200	£47,700	£35,100	£33,100
40	£79,900	£74,500	£43,100	£40,100	£52,400	£48,400	£68,600	£55,600	£39,200	£36,600
45	£96,500	£89,000	£47,900	£44,200	£59,700	£54,600	£81,100	£63,900	£43,200	£40,000
50	£115,000	£105,000	£52,600	£48,100	£67,200	£60,900	£94,700	£72,400	£46,900	£43,100

Good value for members

The Trustee is required to assess the extent to which the (ongoing) charges and transaction costs set out above represent good value for members. When assessing value for money, the Trustee considers scheme management and governance, administration, investment governance, and communications, and considers both the costs and benefits of membership.

For the DC Section and DB Section AVCs, the Trustee believes that the charges and transaction costs represent good value for members. The most recent assessment of the value for members was carried out by Aon Hewitt in October 2018, which concluded that the Fund's DC arrangements were well-run and offered good value for members. The assessment recommended that the Trustee receives more comprehensive regular monitoring on the Fund's DC investments, including performance information and member outcomes, and include a regular slot at future trustee meetings so that the Fund's DC arrangements are considered on a regular basis. The Trustee now includes a regular slot at each quarterly meeting to review investment performance of the DC investments.


Trustee knowledge and understanding

The Trustee is required to have appropriate levels of trustee knowledge and understanding in relation to the understanding of and conversance with the Fund's Trust Deed and Rules, Statement of Investment Principles and other Fund documentation and knowledge and understanding of pension and trust law and of funding and investment principles. This is achieved in a number of ways including:

- Regular review of knowledge and understanding and associated training needs at Trustee meetings.
- Appropriate training undertaken at or outside of regular Trustee meetings.

During the period from 1 January 2018 to 31 December 2018, the Trustee received training on the DC Section and DC provision, and default funds in DC schemes. The Trustee has also appointed professional advisers who provide advice and support, which means that the Trustee is able properly to exercise its functions as Trustee of the Fund.

Signed for and on behalf of the Trustee of the Fund by


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Chair of Trustee

Date 30/7/2019

Appendix 1 – Transaction costs for the DC Section

Transaction Cost Disclosure for Workplace Pensions

Scheme Name:	Aviva Pension Fund - DC Section
Scheme Number:	F48956

Explanatory Notes:
 In accordance with FCA & DWP regulations, Governance bodies of workplace pension schemes must perform a value for money assessment for their scheme which includes looking at the costs involved in managing pension funds. This table shows the administration and transaction costs for each fund in your scheme and is provided to assist with value for money / value for member assessments. The FCA has prescribed the 'slippage cost' methodology for calculating transaction costs. The slippage cost methodology calculates the transaction cost of buying or selling an investment as the difference between the price at which an asset is valued immediately before an order is placed into the market and the price at which it is actually traded. Where fund managers have not used this methodology it is shown below.

The data in the table below shows the following:

Administration Cost	This is the fund's administration cost for the scheme.
Total Transaction Cost	The total annual fund transaction costs. This is the total of the 'Buying and Selling' costs and 'Lending and Borrowing' costs as described below.
Buying and Selling Transaction Cost	Where as it an internal fund, which is a fund managed to an investment mandate set by Aviva UK Insurance, these are the costs incurred in buying and selling units in the Aviva insured fund and the costs incurred by this fund in buying and selling its holdings.
Lending and Borrowing Transaction Cost	Where the Aviva insured fund invests in an external fund these are the annual costs incurred in buying and selling units in the underlying external fund and the annual costs incurred by the underlying fund in buying and selling its holdings.
Transaction Cost Data Missing	The annual costs incurred by either the Aviva insured fund and / or the underlying fund in lending and borrowing its holdings.
Slippage Cost methodology not used	The percentage of the fund value for which underlying fund cost data is missing. As a result of this we cannot provide the total transaction costs for this fund. This includes when: a) the fund manager has provided no transaction costs b) the fund manager has not provided costs for a certain percentage of their fund

Fund Name	Administration Cost	Total Transaction Cost	Buying and Selling Transaction Cost	Lending and Borrowing Transaction Cost	Transaction Cost Data Missing	Slippage Cost methodology not used	Comments/ Additional Information
Aviva Pension BlackRock Over 15 Year Corporate Bond Index Tracker	0.37%	0.0538%	0.0538%	0.0000%	0%	95%	
Aviva Pension BlackRock Over 15 Year Gilt Index Tracker	0.37%	0.0374%	0.0247%	0.0127%	0%	97%	The costs provided represent those incurred by the underlying fund in buying and selling its holdings and do not include those incurred by the Aviva fund in buying and selling units in the underlying fund(s).
Aviva Pension BlackRock Over 5 Year Index-Linked Gilt Index Tracker	0.37%	0.0125%	0.0029%	0.0096%	0%	96%	
Aviva Pension BlackRock DC Diversified Growth	0.98%	-0.0123%	-0.0123%	0.0000%	0%	0%	Only external cost has been provided because fund managers have not provided fair value prices required to calculate Aviva's costs of buying and selling units with the underlying funds.
Aviva Pension BlackRock (50:50) Global Equity Index Tracker	0.37%	-0.0639%	-0.0677%	0.0038%	0%	96%	
Aviva Pension BlackRock Institutional Sterling Liquidity	0.37%						Required underlying data is not available

Appendix 2 – Aviva statement on illustration of charges

In preparing our illustrations to support the disclosure of charges to members we have sought to provide an illustration that meets 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"*

Our illustration pays due regard to statutory guidance from the Department of Work and Pensions (DWP) along with the Government's consultation response on charge disclosure.

Our 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.

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

Taking key elements in turn:

- **Duration:** We 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 schemes retirement date. While pensions schemes may have a scheme normal retirement age (NRA) lower than state pension age we 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.
 - We believe that receipt of state pension will be a significant enabler for members to retire, leading to members retiring at this age rather than an earlier scheme NRA.

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

- **Pot size:** We have chosen to illustrate a starting pot size of zero as this is typical of the starting pot size of the youngest member. We did not feel it was appropriate to illustrate the median pot size as the youngest members will not hold the median pot size when they join the scheme. Taking a median pot size approach will overstate both projected benefits and the charges taken over the term to retirement.
- **Contributions:** We 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 as if median fund values are used.

We 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 circumstance. Using a contribution amount of a “typical” member would allow this, however we felt that calculations would be less intuitive.

- **Range of funds:** To ensure that we cover a sufficient range of funds with different rates of charge and return we have illustrated:
 - o The funds that make up the default arrangement
 - o A highest and lowest charge fund
 - o A highest and lowest growth fund

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

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

DWP’s view is that paragraph 114 does not contradict the guidance and that the statutory guidance on pot size is a that if trustees and managers chose to use just one pot size, the median pot size within the scheme might be a useful benchmark. Similarly, DWP do not feel that the requirement that contributions should be broadly representative is incompatible with the concept of illustrating the impact of investing £1000 per annum.

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

We would encourage trustees to seek their own professional advice or guidance if they are unsure as to whether our rationale applies to their scheme.

Ryder Pension Fund – DC Section Statement of Investment Principles

This Statement of Investment Principles ('the Statement') sets down the principles governing decisions about investments for the Ryder Pension Fund – DC Section ('the Fund'). This Statement has been prepared in accordance with the requirements of Section 35 and 36 of the Pensions Act 1995, as amended by the Pensions Act 2004 and The Occupational Pension Schemes (Investment) Regulations 2005. In preparing this Statement, the Trustee has consulted with the Sponsoring Employer and obtained and considered advice from its investment adviser, Aon Hewitt Limited (AHL), on the appropriateness of this Statement. Aon Hewitt Limited is authorised and regulated by the Financial Conduct Authority in respect of a range of investment business activities.

In accordance with The Occupational Pension Schemes (Investment) Regulations 2005 the Statement is reviewed:

- At least every three years; and
- Without any delay after any significant change in investment policy or the demographic profile of relevant members.

The Trustee's investment responsibilities are governed by the Fund's trust deed and this Statement takes full regard of its provisions. A copy of the Fund's trust deed is available for inspection upon request.

1. Investment Objective

The Trustee's objectives are to:

- Offer suitable funds so that members have a range of options available from which they may be able to maximise, so far as is reasonable, the rate of return earned on the assets over the long term within an acceptable degree of variation in asset values. The range of funds selected by the Trustees has taken into account members' circumstances, in particular the range of members' attitudes to risk and term to retirement.
- Review, in conjunction with the investment adviser Aon Hewitt, by means of discussion with the Defined Contribution (DC) investment manager any fund option offered to members that either underperforms its benchmark over a significant timeframe or carries a level of risk to the security of the investment which may be thought to be unreasonable in the context of the Fund's investment objectives. There will be no obligation to make any changes to the range of funds offered to members as part of such a review.

2. Strategy

Having considered advice from the advisers, and also having due regard for the objectives and the members of the Fund, the Trustee has made available a number of investment options to members. Members can choose to invest their contributions in one or more of the investment options.

The Trustee will ensure that each member's investments are invested in accordance with the fund options selected by the member.

Investment Options

A range of alternative funds has been made available to provide individual members with a choice of asset classes. These are detailed in Appendix A.

The range of funds, and default investment strategies, was chosen by the Trustee after taking advice from the Trustee's investment adviser, AHL. In choosing the Fund's investment options, it is the Trustee's policy to consider:

- A full range of asset classes.

- The suitability of the possible styles of investment management and the need for manager diversification.
- The suitability of each asset class for a defined contribution scheme / money purchase arrangement.
- The need for appropriate diversification of asset classes.
- The current and expected future membership of each Section of the Fund.

Lifestyling

If a member enters a lifestyling arrangement, the member's investments are automatically switched between one or more of the funds available as the member approaches retirement to reflect the changing nature of the risks faced as retirement nears, as appropriate and/or in accordance with each member's instructions. The lifestyle arrangements are constructed using global equities, a diversified growth fund, corporate bonds, index-linked gilts and cash. The lifestyle arrangements offered to members are detailed in Appendix A.

Default Fund

The Trustee has decided to offer a lifestyle option as the default to members who do not specify where they would like their contributions to be invested. The Trustee believes that this lifestyle option offers appropriate diversification and an acceptable level of risk to suit most members.

Diversification

The choice of investment options for members is designed to ensure that members are able to choose investments that are adequately diversified and suitable for their profile. The Trustee monitors the options available to members regularly to ensure that it is comfortable with the choice of funds offered.

Active and Passive Management

The choice of whether to offer active and/or passive fund options is dictated by the funds offered by the DC investment manager and the Trustee has taken this into account when selecting investment managers for the Fund.

Suitability

The Trustee has taken advice from the advisers that the range of investment options offered to members is suitable. Members are responsible for choosing which of the funds is most appropriate for the investment of their own and their employer's contributions, based on their own individual circumstances.

3. Default Investment Strategies

The Trustee is required to designate a default investment arrangement into which members who are automatically enrolled have monies invested. The Trustee has designated the "Lifestyle Plus 75 – Annuity" as the default investment arrangement for the Fund.

The default investment arrangements have been chosen by the Trustee so as to try and maximise expected long term investment returns, but to protect against significant changes in annuity prices and to secure cash lump sums as members near retirement.

As a result of careful consideration of the Fund's membership the default arrangements are considered appropriate for members of the Fund who are expected to draw benefits over the next few years, bearing in mind the average fund values and membership profile of the Fund.

The Trustee, with its adviser, has assessed the suitability of the default investment arrangements in the light of the new regulations governing the ways in which members can access their benefits at

retirement. The default investment strategies were reviewed in 2016 and restructured to be more suitable for members.

The Trustee's policies in relation to the Default arrangement in respect of matters set out in Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005, as amended, are those set out elsewhere in this document.

4. Risk Measurement and Management

The Trustee has considered risk from a number of perspectives.

The investment options made available to members have been chosen with the aim of enabling members to control the following risks:

- **Inflation risk.** The risk that the investment returns over members' working lives will not keep pace with inflation and will not, therefore, secure an adequate retirement benefit.
- **Volatility risk.** The risk of significant short-term fluctuations in the value of members' invested capital which some members may be concerned about.
- **Capital risk.** The risk of a significant fall in the value of members' invested capital as they approach retirement.
- **Conversion risk.** The risk that relative market movements in the years just prior to retirement lead to a substantial reduction in benefits secured.

A number of other risks have also been considered when deciding on the investment options to make available to members:

- **Default option risk.** The risk of the default option being unsuitable for the requirements of some members. The Trustee has provided additional Lifestyle and Individual fund options in addition to the default, and has communicated to members the need to review their own requirements and circumstances before making any investment decisions.
- **Investment Manager Risk.** The risk that the selected investment managers underperform their objectives. The Trustee regularly reviews each fund's investment performance, and takes ongoing advice from the investment adviser on the ongoing suitability of the funds and investment managers. The Trustee also provides passive options that avoid active management risk.
- **Diversification Risk.** The Trustee has chosen funds that are constructed from well diversified portfolios of assets to reduce the stock specific risk faced by the Fund.
- **Liquidity.** Being forced to sell investments to pay benefits in unfavourable financial market conditions. The Trustee has invested in utilised pooled funds which are easily redeemable.
- **Geared or speculative investments using derivatives.** The Trustee has not invested in funds that are geared or make speculative use of derivatives.
- **Credit Risk.** The risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The credit risk the Fund is exposed to arises from both holdings in the underlying funds, and through the investment in the Friends Life platform. The investment adviser has provided advice on the suitability of the funds and the platform provider, and this has included advice on the security of the Fund assets in relation to credit risk.
- **Market Risk.** The Fund is subject to currency, interest rate and other price risk associated with the underlying investments on the Friends Life platform. These risks can impact the valuations of the funds. The Trustee has selected a range of funds to be available to allow members to suitably diversify their investments to manage these risks. This is also considered when setting the lifestyle strategies.

Due to the complex and interrelated nature of these risks, the Trustee generally considers these risks in a qualitative rather than quantitative manner as part of an ongoing review process.

5. Implementation

DC Investment Manager

Following advice from the advisers, the Trustee has appointed Friends Life to provide the unit-linked life policies that make up the fund options. Members of the DC section of the Fund can invest their contributions in one of the lifestyle arrangements or self-select their own funds from the range of funds the Trustee has made available.

DC Fund Options

The range of funds offered to members was chosen from those offered by the DC Investment manager to give members a diversified range of pooled investments from which they can select according to their individual circumstances. The funds available to members are detailed in Appendix A.

Investment of Contributions for DC Section Members

A member's contributions will be invested in line with their selected choice of funds.

Performance Objectives

The performance objective for each fund is to achieve returns consistent with the relevant benchmark as set out in Appendix A.

6. Governance

The Trustee takes some investment decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expertise in order to take an informed decision. The Trustee has established the following decision making structure:

Trustee <ul style="list-style-type: none">- Monitors actual returns versus Fund Investment objective.- Sets structures and processes for carrying out its role.- Selects and monitors planned asset allocation strategy.- Selects and monitors direct investments.- Selects investment advisers and fund managers.- Decides on appropriate structure for implementing investment strategy.- Monitors investment advisers and fund managers.- Makes ongoing decisions relevant to the operational principles of the Fund's investment strategy.- Reviews the 'money purchase' fund range and lifestyle options.	
Investment Advisers <ul style="list-style-type: none">- Advise on all aspects of the investment of the Fund's assets, including implementation.- Advise on this Statement.- Provide any required training.	Platform Providers <ul style="list-style-type: none">- Operate within the terms of this statement and their written contracts.- Manages the allocation of certain of the funds between underlying fund managers, in accordance with agreed benchmarks and rebalancing protocols.

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager under a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund managers.

The Trustee endorses the UK Stewardship Code (the 'Code') that was published in July 2010 by the Financial Reporting Council. The Code employs the same principles as set out in the Institutional Shareholder Committee's Statement of Principles.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

7. Relationship with Advisers

Aon Hewitt Limited (AHL) has been selected as investment adviser to the Trustee. It operates under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions itself and to monitor those it delegates.

The Trustee's investment adviser AHL has the knowledge and experience required under the Pensions Act 1995.

The Trustee expects the Providers to handle the assets delegated to them under the terms of the contract and to give effect to the principles in this statement so far as is reasonably practicable.

8. Social, Environmental and Ethical Considerations

The Trustee's primary consideration in formulating the investment options is to act in the best financial interests of the members of the Fund, and to seek the best return that is consistent with taking a prudent/appropriate level of risk. However, it is recognised that social, environmental and ethical considerations can have an impact on financial performance.

Day to day management of the Fund's investments is delegated to the investment manager, who take account of social, environmental and ethical considerations in so far as they have an impact on performance, in selecting and retaining investments and in the exercise of voting and other rights. This will involve each manager considering companies' policies on these issues alongside other issues that may affect long-term performance.

As the assets of the Fund are managed in pooled arrangements, the Trustee accepts that the assets are subject to the investment manager's own policies on social, environmental and ethical investment. The Trustee is satisfied that this corresponds with their responsibilities to the beneficiaries.

9. Exercise of Rights

The Trustee believes that the exercise of rights (including voting rights) attaching to investments should be exercised by each investment manager, to whom the day to day responsibilities have been delegated, in the interests of investors. The Trustee believes that this will ultimately be in the best interests of the members.

10. Realisation of Investments

The Fund's assets are invested in daily priced pooled investment funds, and the vast majority of the underlying assets are invested in quoted markets. The platform provider can be required to realise investments as soon as it becomes appropriate to do so.

11. Review

The Trustee will review this Statement at least every three years and immediately following any significant change in investment policy or the demographic profile of relevant members. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the Statement.

Appendix A – Investment Managers

The Trustee has appointed Friends Life to manage the assets of the DC Section.

The specific investment funds available to members who wish to construct their own portfolio of funds are set out in the table below:

Asset Class	Fund	Benchmark
Global Equity	FL BlackRock (50:50) Global Equity Index (Aquila C)	50% FTSE All-Share Index, 17% FTSE AW USA Index, 17% FTSE AW Developed Europe ex UK Index, 8% FTSE AW Japan Index, 8% FTSE AW Developed Asia Pacific ex Japan Index
Diversified Growth	FL BlackRock DC Diversified Growth	UK Base Rate +3.5% pa
Corporate Bonds	FL BlackRock Over 15 Year Corporate Bond Index (Aquila C)	iBoxx £ Non-Gilts Over 15 Years Index
Index Linked Gilts	FL BlackRock Over 5 Year Index-Linked Gilt Index (Aquila C)	FTSE UK Index Linked Gilts Over 5 Years Index
Fixed Interest Gilts	FL BlackRock Over 15 Year Gilt Index (Aquila C)	FTSE UK Gilts Over 15 Years Index
Cash	FL BlackRock Institutional Sterling Liquidity	7 Day GBP LIBID

Fees

Members currently pay a TER of 0.37% p.a. for all funds except the DGF which has a TER of 1.16% p.a. There is no additional charge for monitoring the lifestyle arrangement.

Advisers

Fees paid to the advisers are based on actual time spent and hourly rates for relevant individuals, unless the Trustee and the advisers agree alternative arrangements in advance.

Trustees

None of the Directors of the Trustees are paid for their role.

Lifestyling

The lifestyle options available to members are shown below.

