Scotia Gas Networks Pension Scheme – DC Section

Annual statement by the Chair of the trustees for the year to 31 March 2022

What is this Statement for?

It's important that you can feel confident that your savings in the Defined Contribution Section of the Scotia Gas Networks Pension Scheme ("the Scheme") are being looked after and give good value.

Under legislation certain governance requirements apply to defined contribution pension arrangements i.e. the requirement to prepare a yearly statement which describes how these governance requirements are met. This Statement sets out how the trustees have managed the Scheme in the last year and what they aim to do in the coming year.

A copy of this Statement, together with other key Statements about how the Scheme is managed are posted on-line at https://vfm.aviva.co.uk/sgn-pension-f70102/ .

What's in this Statement?

We've included information on the following areas in this Statement:

1 How we manage your Scheme – who the trustees are and what guides our decision making;

2 Investment options – what we have done to check the performance and suitability of the Scheme's investment options;

3 Investment performance - what returns have the investment options given over the last few years;

4 Cost and charges – what costs and charges you have paid in the last year and how these might impact the size of a typical member's savings in the Scheme over time;

5 Value for Members - how the quality of the Scheme's services which you pay for compare to other pension schemes.

6 Administration – how well the Scheme has been administered including how promptly and accurately key transactions (such as the investment of your contributions) have been processed;

7 Trustee knowledge – what we as trustees have done to maintain our level of knowledge and obtain the professional advice we need to look after the Scheme for you; and

8 Our key actions last year and plans for the next year – what key actions the trustees took in the last year and what we aim to do in the coming year to continue to improve the Scheme for all our members.

What were the highlights from the last 12 months?

1 How we manage your Scheme

There have been no changes to the trustees in the last year. The Statement of Investment Principles ("SIP"), which sets out the trustees' policies on how your contributions should be invested, was updated on 17 November 2021 to incorporate the new L&G Ethical Global Equity Index Fund. The implementation report describing how the trustees have followed their policies set out in the SIP will be published at the same time as this Statement. These documents can be found on Aviva's site for the Scheme - https://vfm.aviva.co.uk/sgn-pension-f70102/

At 31 March 2022 the Scheme had 186 members and the total value of pension pots totalled £20.1 million.

2 Investment options

We completed an in-depth review of the Scheme's default arrangement on 16 February 2021. We're satisfied that the default arrangement has performed in-line with our objectives and remains suitable for most members having analysed performance and member data – see section 2 for more details. The next full review of the investment options was due to be carried out in 2023 however the DC Section is due to move to the Aviva Master Trust by early 2023.

The L&G Ethical Global Equity Fund was made available for members within the self-select fund range.

3 Investment performance

2021 was a challenging year for investment markets because of the uncertainty created by the COVID 19 pandemic. The Russian invasion of Ukraine has since caused greater than usual volatility in the values of many investments since February 2022. The sanctions imposed on Russia may also have longer-term economic impacts which could affect future investment returns.

Over the year to 31 March 2022 the funds used in the Scheme's default arrangement saw positive investment returns of between 1.77% to 11.49%. Put another way, there was a rise of £17.70 for every £1,000 invested in the My Future Consolidation fund. There was a rise of £114.90 for every £1,000 invested in the My Future Growth Fund.

The investment returns produced by the funds in the default arrangement were generally ahead of their respective objectives.

4 Cost and charges

You pay for the Scheme's investment, administration and communication services while the Employer pays for the Scheme's governance services.

We monitored the costs and charges going out of members' pension pots during the last year:

The charges in the last year for the "default arrangement" were 0.47% of the amount invested (or put another way £4.70 for every £1,000 invested) – which is well within the "charge cap" for auto-enrolment in our Scheme required by the Government.

We have also looked at how the costs and charges taken out of a typical member's pension pot each year might affect its future size when they come to retire. As an example, for a member in the default arrangement at age 35 (with a pot size of £100,000), the level of charges and costs seen in the last year might reduce their projected pot value at retirement (at 65 years old) in today's money from £528,276 to £470,148.

5 Value for Members

Each year we look at the costs and charges you pay as well as the range and quality of the services you pay for and see how they compare with similar pension schemes and a selection of master trusts.

We found that the Scheme has given **GOOD** value in the last year. Over the next year our main priority is to ensure that the DC section is successfully and efficiently moved across to the Aviva Master Trust – see section 5 for more details.

6 Administration

We check that the administration of the Scheme is going smoothly at our quarterly meetings and found that:

- Most of the key financial transactions were processed promptly and accurately by Aviva; and
- Over the year, the wider administration of the Scheme was completed within c.67% of the service standards we agreed with Aviva. This is an improvement from the 60% level for the year to 31 March 2021. Most transactions which breached the service standards were non-core financial transactions however the trustee will continue to monitor these standards closely over the coming year.

- The quarterly administration reports demonstrate that the core financial transactions were generally processed promptly and accurately (within the regulator's requirements) for the year to 31 March 2022.
- The following exceptions are noted:
  - Q3 2021: 1 out of 3 core financial processing tasks were outside SLA
  - Q4 2021: 2 out of 3 core financial processing tasks were outside SLA

7 Trustee knowledge

It's important that we as trustees keep our knowledge of pension and investment matters up to date and have access to sound professional advice.

All of the trustees attended training sessions during the year on subjects such as Responsible Investment and Master Trusts – see section 7 for more details. It was agreed during the year that the trustees would benefit from more training which they will be looking into over the coming year.

There have been no changes to the trustees' advisers during the year.

Overall, the trustees believe that they have the right skills and expertise together with access to good quality professional advice so that they can run your Scheme properly.

8 Our key actions last year and plans for the next year

During the last year the trustees:

- Received additional DC-specific training;
- Updated the Statement of Investment Principles to incorporate the L&G Ethical Global Equity Fund;
- Carried out a review of the DC provision available to members;
- Improved Value for Members by monitoring service levels agreed with Aviva; and
- Arranged for the publication of this Statement, together with the SIP in a publicly searchable location on the internet with a note of this location in the annual benefit statements (this document is saved on this site - https://vfm.aviva.co.uk/sgn-pension-f70102/).

In the coming year (which will be covered by the next Statement), the trustees intend to, in conjunction with the Employer, move the DC Section to the Aviva Master Trust in order to enhance the pension provision for members.

The rest of this Statement goes into more detail - please read on if you want to find out more about how we have managed your Scheme in the last year.

We hope this Statement is of help to you planning for your future. If you have any questions please contact Aviva (mymoney@aviva.com).

Introduction

Governance requirements apply to defined contribution ("DC") pension arrangements like the Scheme, to help members achieve a good outcome from their pension savings. The trustees are required to produce an annual statement describing how these governance requirements have been met.

This Statement covers the period from 1 April 2021 to 31 March 2022 (“the last Scheme Year”).

For the record
This Annual Statement regarding governance has been prepared in accordance with:

Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715) as amended by subsequent Regulations.

[redacted]

Signed by the Chair of trustees of the Scotia Gas Networks Pension Scheme

1 How we manage your Scheme

At 31 March 2022, the trustees of the Scheme were:

Tony Fettiplace (Chairman)
Duncan Holder
Graham Laughland
Bob Matthews
Alastair McMurtrie
Richard Murray

The SIP sets out the trustees' investment policies which the trustees, with the help of their advisers, review at least every three years. The last review was carried out in 2021 and the Statement was changed on 17 November 2021 to reflect new regulatory requirements.

The SIP is appended in Appendix 1 to this Statement.

An implementation statement setting out how the trustees complied with the SIP during the year to 31 March 2022 will be published before 30th September 2022.

Over the year to 31 March 2022 the number of members reduced from 194 to 186 while the total value of members' pension pots grew from c.£18.6m to £20.1m.

Post Scheme year end, David Fogarty replacing Tony Fettiplace (who resigned as Chairman and trustee) as Chairman of the Scheme and Graham Laughland resigned as a trustee. More details on this will be provided in next year's Chair Statement.

2 Investment options

Default arrangements

The Scheme's default arrangement, the Aviva My Future strategy, is designed for members who join the Scheme and do not choose an investment option. The trustees are responsible for the governance of the default arrangement, which includes setting and monitoring its investment strategy.

The trustees decided that the default arrangement should be a lifestyle strategy, which means that members' contributions are automatically moved between different funds as they approach their selected retirement date.

The main investment objectives for the default arrangement are in outline:

- Manage the principal investment risks members face during their membership of the Scheme;
- Maximise investment returns relative to inflation while taking an appropriate level of risk during membership of the Scheme for the majority of members who do not make investment choices; and
- Reflect members' likely benefit choices at retirement.

The SIP covering the default arrangement is appended to this Statement. Please note that the SIP covers all the Scheme's investments – the principles guiding the design of the default arrangement are set out on pages 3 to 4.

The trustees believe that the default arrangement is appropriate for the majority of the Scheme's members because before implementing the strategy, the trustees took into account a number of aspects of the Scheme's membership including:

- The members' age and salary profile

- The likely sizes of pension pots at retirement; and
- Members' likely benefit choices at retirement.

Having taken these aspects into account within the latest strategy review, the trustees were able to determine that the default arrangement remains suitable for the majority of the Scheme's members.

The trustees regularly monitor the investment performance of the default arrangements and formally review both the investment performance against the default arrangements' objectives and the suitability of the investment strategies at least every three years. The investment performance of these funds during the last year is shown in section 3 below [and Appendix 4].

A full review of the performance and suitability of the default arrangement was completed on 16 February 2021 with the help of the trustees' investment adviser.

The trustees are satisfied that the default arrangement remained appropriate for the majority of the Scheme's members because:

- Its investment performance has been consistent with its investment objectives;
- Its design continues to meet its principal investment objectives;
- The demographic profile of the membership has not changed materially; and
- Members' needs and likely benefit choices at retirement have not changed materially.

As a result, there were no changes to the default arrangement as a result of this review.

The next full review of the investment options was due to be carried out in 2023 however the DC Section is due to move to the Aviva Master Trust by early 2023.

Other lifestyle options

In addition, the following is a default arrangement for some Scheme members due to the fact it was the old default strategy available to members:

- SGN 5 Year Lifecycle lifestyle option

More details of this alternate default arrangement is given in section 4.

Other investment options

The trustees recognise that the default arrangement will not be suitable for the needs of every member and so the Scheme also offers members a choice of other investment options including self-select funds. The main objectives of these investment options are:

- To cater for the likely needs of a wider range of members;
- To cater for members looking to take different benefits at retirement than those targeted by the default arrangement;
- To offer a wider range of asset classes, levels of risk and return and different investment approaches; and
- To support members who want to take a more active part in how their savings are invested.

The trustees carry out an in-depth review of the performance and suitability of these other investment options at least every 3 years. The last full review was completed on 16 February 2021, when it was agreed that the current self-select fund range was appropriate for the membership except for the absence of an ESG (Environmental Social and Governance) fund. Following a review of the available ESG funds on the Aviva platform, the trustees added the L&G Ethical Global Equity Fund to the self-select fund range in mid-2021.

In keeping with the Pensions Regulator's guidance, the trustees also carry out an annual high-level review of the performance and suitability of these other investment options. There were no issues with these investment options last year.

3 Investment Performance

Full details on the investment performance of all funds can be found in Appendix 4.

Investment conditions

When looking at these figures it should be taken into account that major stock markets rose by 10.9% (FTSE All World over the year to 31 March 2022) over the same period which is a useful comparator for the equity funds.

Default arrangement

Over the year to 31 March 2022 the funds used in the Scheme's default arrangement saw investment returns between 1.77% for the My Future Consolidation fund (or a rise of £1.77 for every £1,000 invested) to 11.49% for the My Future Growth fund or a rise of £114.90 for every £1,000 invested).

The investment performance of the funds used in the default arrangement during the year to 31 March 2022 net of costs and charges expressed as a percentage were:

Fund	1 year %
My Future Growth	11.49
My Future Consolidation	1.77

Source: Aviva as at 31 March 2022

We are satisfied that the funds used by the default arrangement have performed in line with their objectives.

Further information on the funds, how they are invested and their performance during the year are available from the Hymans Robertson administration team..

4 Costs and charges

We are required to set out the charges and costs borne by members and/or the Employer for the Scheme's services in this Statement over the last Scheme year and these are set out as follows:

Service	By members	Shared	By the Employer
Investment management charges	✔	-	-
Administration	✔	-	-
Communications	✔	-	-
Governance	-	-	✔
Investment transactions costs	✔	-	-

The presentation of the charges and costs, together with the projections of the impact of charges and costs, takes into account the statutory guidance issued by the Department for Work and Pensions.

Charges

The charges ('Investment management charges' referred to in the table above) quoted in this Statement are the funds' Total Expense Ratios ("TERs"). The TER consists of a fund's Annual Management Charge ("AMC") and Operating Costs and Expenses ("OCE"). OCEs include, for example, the fund's custodian costs. While the AMC is usually fixed, the OCE, and hence the TER, can vary slightly from day to day.

Transaction costs

The funds' investment transaction costs are in addition to the funds' TERs. TERs take into account ongoing charges whereas transaction costs arise when assets are bought or sold; specifically when:

- The fund manager buys or sells part of a fund's portfolio of assets; or
- The platform provider or fund manager buys or sells units in an underlying fund.

Transaction costs vary from day to day depending on where each fund is invested and stock market conditions at the time. Transaction costs can include: custodian fees on trades, stockbroker commissions and stamp duty (or other withholding taxes).

Transaction costs are deducted before the funds' unit prices are calculated. This means that transaction costs are not readily visible, but these costs will be reflected in a fund's investment performance.

The Financial Conduct Authority ("FCA") requires fund managers and providers to calculate transaction costs using the "slippage method", which compares the value of assets immediately before and after a transaction has taken place. This can give rise to negative transaction costs where favourable stock market movements during a transaction offset the rest of the trading costs (such as stockbroker commission).

The transaction costs shown in this statement are those taken from funds while members are invested in them. The transaction costs shown here do not include any costs members may incur in the future if the pricing basis changes for members buying or selling units in the Aviva funds; for example, if the fund manager's unit price for a fund moves from a "bid" to "offer" basis (or vice versa) or any other "dilution levy" when units in that fund are bought or sold to protect the value of the fund for other investors. This is due to the unpredictable nature of these costs.

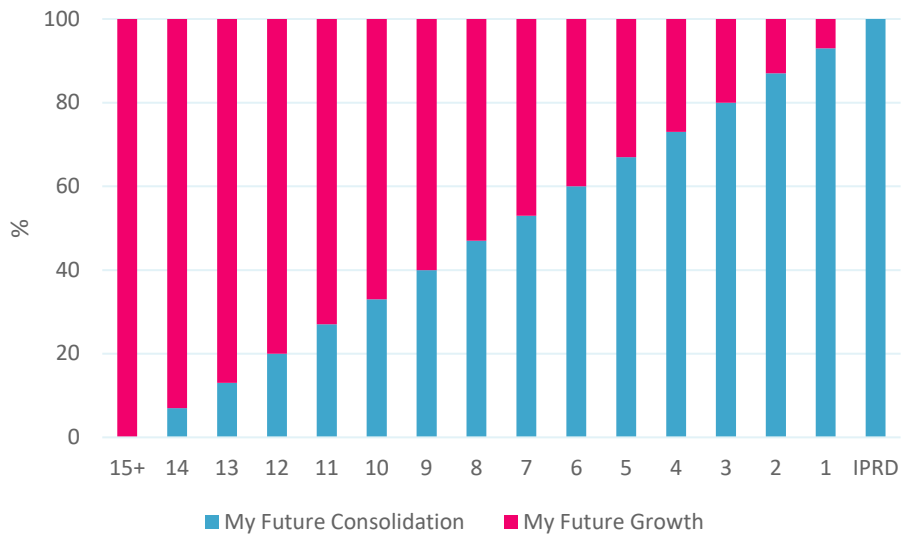
Member-borne charges and transaction costs

The charges and transaction costs have been supplied by the Scheme's DC platform provider and administrator, Aviva. The presentation of the charges and costs, together with the projections of the impact of charges and costs, takes into account the statutory guidance issued by the Department for Work and Pensions.

Full details of the annualised charges and transaction costs, for all funds, for the period covered by this statement can be found in Appendix 2.

Default arrangements

The default arrangement is a "lifestyle strategy" (shown in the chart below) which invests contributions in funds according to how far each member is from retirement. This means that the level of charges and transaction costs borne by members can vary from year to year depending on how close members are to their selected retirement age and in which fund or funds they are invested in at that time.



Default arrangement charges and transaction costs

During the year covered by this Statement the member-borne charges for the default arrangement were 0.47% p.a. of the amount invested or, put another way, £4.70 per £1,000 invested.

The transaction costs borne by members in the default arrangement during the year were in a range from 0.070% to 0.085% of the amount invested or, put another way, in a range from £0.70 to £0.85 per £1,000 invested. The table in Appendix 2a gives the charges and transaction costs for each fund used by the default arrangement.

The Scheme is a qualifying scheme for auto-enrolment purposes and the member borne charges for the default arrangement complied with the charge cap during the year covered by this Statement.

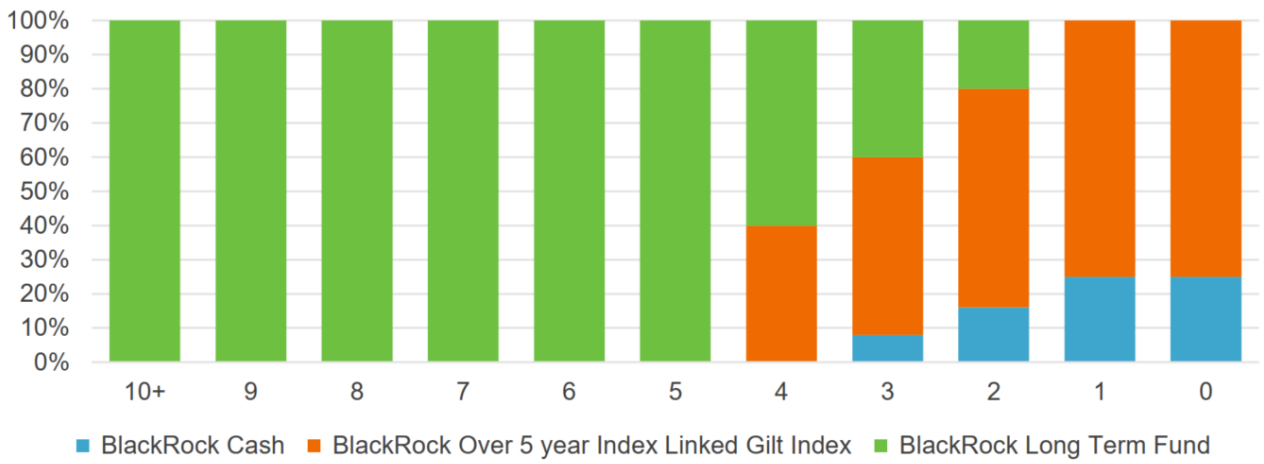
Charges and transaction costs for the investment options outside the default arrangements

In addition to the default lifestyle, there is 1 other lifestyle option which is a legacy default strategy which some members are still invested in.

Lifestyle options

The lifestyle options outside the default arrangement also invest contributions in different funds according to how far each member is from retirement. The charges borne by each member can also vary from one year to the next.

SGN 5 Year Lifecycle



Please note BlackRock Long Term Fund is no longer available for members to invest in. The fund was removed from the platform once all members in the 5 Year Lifecyle option had de-risked out of it.

During the year covered by this Statement the member-borne charges for the SGN 5 Year Lifecycle lifestyle option were 0.45% p.a. of the amount invested or, put another way £4.50 per £1,000 invested.

The transaction costs in the SGN 5 Year Lifecycle lifestyle during the year were in a range from 0.005% to 0.016% of the amount invested or, put another way, in a range from £0.05 to £0.16 per £1,000 invested.

The table in Appendix 2b gives the charges and transaction costs for each fund used in this lifestyle option.

Self-select funds

During the year the charges for the self-select funds were in a range from 0.40% p.a. to 1.04% p.a. of the amount invested or, put another way, in a range from £4.00 to £10.40 per £1,000 invested.

The transaction costs borne by members in the self-select funds during the year were in a range from 0.0042% to 3.21% of the amount invested or, put another way, in a range from £0.04 to £3.21 per £1,000 invested.

The level of charges for each self-select fund (including those used in the default arrangement) and the transaction costs over the period covered by this Statement are:

Fund	ISIN	Charges		Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested
My Future Growth Fund	**GB00B9GRGZ45**	**0.47**	**4.70**	**0.0852**	**0.85**
My Future Consolidation Fund	**GB00BGFQVP62**	**0.47**	**4.70**	**0.0703**	**0.70**
My Future Cash Lump Sum	GB00BGGRWS82	0.48	4.80	0.0768	0.77
My Future Drawdown	GB00BGGRWG60	0.48	4.80	0.0746	0.74
My Future Annuity	GB00BGGRWP51	0.49	4.90	0.0250	0.25
Schroder Life Intermediated Diversified Growth	GB00B1XH5C18	1.04	10.40	0.3206	3.21

Aviva Pension Property FP	GB00B00GX536	0.64	6.40	0.2087	2.09
BlackRock 5Y+ Index Linked Gilt Index	GB00BYSL7T06	0.45	4.50	0.0046	0.05
BlackRock Over 15 Year Gilt Index	GB00BYSL8424	0.45	4.50	0.0042	0.04
BlackRock European Equity Index	GB00BYSL7H63	0.45	4.50	0.0598	0.60
BlackRock Corporate Bond Index All Stock	GB00BYSL7F69	0.40	4.00	0.1318	1.32
BlackRock World (Ex-UK) Eq Index	GB00BYSL7P67	0.45	4.50	0.0165	0.17
BlackRock (30:70) Currency Hedged Global Equities	GB00DH3Q043	0.49	4.90	0.0784	0.78
BlackRock UK Equity Index	GB00BYSL8D11	0.45	4.50	0.2010	2.01
BlackRock Cash	IE00B43FT809	0.45	4.50	0.0157	0.16
BlackRock Emerging Markets Index	IE00B3D07H30	0.85	8.50	0.0000	0.00
Legal & General (PMC) Ethical Global Equity Index	*	0.64	6.40	0.0000	0.00

Source: Aviva. Please note that since the Legal & General funds are PMC funds (i.e. are offered via an insurance policy) they fall outside the definition of 'securities' and thus do not have associated ISINs

The funds used within the default arrangement are shown in bold.

Additional Voluntary Contributions ("AVCs")

The Scheme offers members in the defined benefit section a choice of 6 funds for their AVCs.

The transaction costs borne by members in the AVC funds during the year were in a range from 0.0000% to 0.201% of the amount invested or, put another way, in a range from £0.00 to £2.01 per £1,000 invested.

The level of charges for each AVC fund and the transaction costs over the period covered by this Statement are:

Fund	ISIN	Charges		Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested
BlackRock 5Y+ Index Linked Gilt Index	GB00BYSL7T06	N/A	N/A	0.0046	0.05
BlackRock Corporate Bond Index All Stock	GB00BYSL7F69	N/A	N/A	0.1318	1.32
BlackRock UK Equity Index	GB00BYSL8D11	N/A	N/A	0.2010	2.01

BlackRock (30:70) Currency Hedged Global Equities	GB00DH3Q043	N/A	N/A	0.0784	0.78
LGIM Diversified Fund	GB00B6V6GS85	N/A	N/A	0.0000	0.00
BlackRock Cash	IE00B43FT809	N/A	N/A	0.0157	0.16

Source: Aviva

The Funds offered under the AVC section do not have an AMC chargeable as a direct charge applies. This cost is met by the employer.

Impact of costs and charges - illustration of charges and transaction costs

The trustees have asked the Scheme's adviser to illustrate the cumulative impact over time of the costs and charges borne by members.

These illustrations show projected fund values in today's money before and after costs and charges for typical members at stages in the Scheme from age 35 up to retirement.

The tables in Appendix 3 to this Statement show these figures for the default arrangement; as well as 5 funds from the Scheme's self-select fund range (which members are invested in):

- The fund used by the greatest number of members – the BlackRock UK Equity Index Fund
- The fund with the highest before costs expected return – the BlackRock World ex UK Equity Fund
- The fund with the lowest before costs expected return and the fund with lowest annual member borne costs – the BlackRock Cash Fund
- The fund with highest annual member borne costs – the BlackRock (30:70) ccy hedged Global Equity Index Fund
- The AVC fund used by the greatest number of DB members – the BlackRock UK Equity Index Fund

The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.

As an example, for a member in the default arrangement at age 35 (with a pot size of £100,000), the level of charges and costs seen in the last year might reduce their projected pot value at retirement (at 65 years old) in today's money from £528,276 to £470,148.

Notes on illustrations:

- These illustrated values are not guaranteed and may not prove to be a good indication of how your own savings might grow;
- The transaction cost figures used in the illustration are those provided by the managers over the last year;
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Members should exercise caution before relying on this information for the purposes of making decisions about savings, investment and retirement choices, and take independent financial advice as appropriate when making decisions.

5 Value for Members

Each year, with the help of their advisers, the trustees carry out an assessment of whether the charges and transaction costs for the default arrangement and other investment options, which are borne in full or in part by members, represent good Value for Members. Value is not simply about low cost – the trustees also consider the quality and scope of provision compared against similar schemes and available external benchmarks

Approach

The trustees adopted the following approach to assessing Value for Members for the last year:

- Services – considered the investment, administration, communication services where members bear or share the costs;
- Outcomes – weighted each service according to its likely impact on outcomes for members at retirement;
- Comparison – the cost and quality of each service were compared against similar schemes and available external comparisons;
- Rating – each service was rated on the below basis.

Results for the Year ending 31 March 2022

The Scheme gave GOOD Value for Members in the year ending 31 March 2022.

The rating criteria used in the assessment were:

Rating	Definition
Excellent	The trustees consider the Scheme offers excellent value for members, providing services within a top 20% quality/cost range compared with typical options for similar schemes.
Good	The trustees consider the Scheme offers good value for members, providing services at better quality/cost compared with typical options for similar schemes.
Average	The trustees consider the Scheme offers average value for members, providing similar services at similar quality/cost compared with typical options for similar schemes.
Below average	The trustees consider the Scheme offers below average value for members, providing similar services at higher cost or more limited services for similar cost compared with typical options for similar schemes.
Poor	The trustees consider the Scheme offers poor value for members providing services, within the bottom 20% quality/cost range compared with typical options for similar schemes.

The weightings for each service members pay towards and their ratings were:

- Communications – 25%
- Administration – 25%
- Investment – 50%

The rationale for the rating of each service was in outline:

Service and weighting	Rating	Rationale
Investment 50%	GOOD	Charges are slightly more than those of comparable schemes. Transaction costs are broadly in line with comparable schemes. The trustees are satisfied that the investment options are suitable for the Scheme's membership having conducted an in-depth investment strategy review in February 2021. Investment performance was in line with the funds' objectives. The Statement of Investment Principles was last reviewed on 17 November 2021 when changes were made for regulatory requirements. The Scheme's investment options do take responsible investment (including climate change) into account. The Scheme offers an ESG fund to members self-selecting their own investments.
Administration 25%	AVERAGE	The Scheme's administration was carried out within the agreed service standards with 67% of work carried out within service standard levels. Core financial transaction on the whole were processed accurately but, in some cases, late. The Scheme's administrator is accredited by the Pensions Administration Standards Association ("PASA"). The administration processes include effective measures to help protect against cyber-attacks and pension scams.
Communication 25%	GOOD	Members are provided with a range of communications via post and electronic. Members also have access to Aviva's eValuate tool to model contribution rates and investment choices. Members have on-line access to a range of appropriate guides and information to support new joiners, members building their benefits and those close to retirement.

		The website was visited 79 times during the last year in comparison to 64 times the previous year. Members can provide feedback to the trustees by contacting the SSE pensions team. Going forward, this will be the Hymans Robertson third party administration team.

The trustees have agreed an action plan for the following year to improve value where necessary and obtain any missing information. This action plan, along with details of the missing information and value assessment limitations, are detailed in other sections of this Chairs Statement.

6 Administration

The trustees appointed Aviva to administer the Scheme on their behalf.

The trustees review quarterly reports from Aviva to ensure the accuracy and timeliness of all core financial transactions. In addition, the SSE Pensions Team regularly engage with Aviva and are kept up to date with any issues/developments promptly.

Core financial transactions

It is a legal requirement that the trustees and their advisers must monitor the Scheme's core financial transactions during the year which includes the following:

- The receipt and investment of contributions (including inward transfers of funds);
- Switches between investment options; and
- Payments of benefits (including retirements and outward transfers of funds).

Service levels

The trustees have a service level agreement in place with Aviva, which covers the accuracy and timeliness of all core financial transactions such as:

- The investment of contributions;
- Switching investment options;
- Providing quotations of benefits to members who are retiring or leaving the Scheme;
- Payments of benefits;
- Producing annual benefit statements; and
- Responding to ad hoc enquiries from members.

The main service standards are:

- Payment of benefits within 3 working days;
- Provision of retirement quotations within 5 working days;
- Provision of transfer value quotation within 5 working days;
- Payment of transfer value within 3 working days;
- Processing individuals transferring into the Scheme within 5 working days;
- Response to members enquiries within 5 working days;
- Provision of statements upon request within 5 working days;
- Processing of investment switches within 5 working days; and
- Provision of general pensions administration services within 5 working days.

Aviva aims to complete 95% of its administration work and core financial transactions within these service levels.

The trustees understand that Aviva monitors its performance against these service levels by:

- Maintaining accreditation with the Pensions Administration Standards Association ("PASA");
- Monitoring daily transactions;
- Monitoring daily workflow items;
- Regular internal audits of administration procedures;
- Reviewing the level, causes and resolution of complaints.

The trustees monitored core financial transactions and administration service levels during the last Scheme year by:

- Checking that contributions deducted from members' earnings have been paid promptly to the Scheme by the Employer;
- Receiving quarterly reports from Aviva on the processing of financial transactions and other administration processes against the agreed service levels;
- Considering the reasons for and resolution of any breaches of service standards;
- Receiving reports from the Scheme's Auditor, who independently tests sample transactions for accuracy and timeliness; and
- Considering member feedback including any complaints.

The Scheme's administrators, Aviva, have confirmed to the trustees that there are adequate internal controls to ensure that core financial transactions relating to the Scheme are processed promptly and accurately.

The trustees note that standards are low however they will continue to periodically review Aviva and engage with them where specific issues arise. At the Scheme year end, there were no outstanding unresolved issues.

Over the year, the trustees found that:

- Most of the key financial transactions were processed promptly and accurately by Aviva;
- Over the year, the wider administration of the Scheme was completed within c.67% of the service standards we agreed with Aviva. This is an improvement from the 60% level for the year to 31 March 2021. Most transactions which breached the service standards were non-core financial transactions.
- The quarterly administration reports demonstrate that the core financial transactions were generally processed promptly and accurately (within the regulator's requirements) for the year to 31 March 2022.
- The following exceptions are noted:
  - Q3 2021: 1 out of 3 core financial processing tasks were outside SLA
  - Q4 2021: 2 out of 3 core financial processing tasks were outside SLA

Data quality

Each quarter the trustees receive a report from the Scheme's provider to confirm that they have undertaken an audit of the Scheme's common data (which is the key data needed by the Scheme to calculate members' benefits such as dates of birth), to ensure that the records for all members are accurate and up to date.

Common data was present for 93.6% of membership data as at 31 March 2022 – compared to 91.2% last year so has improved.

Cyber Security

The trustees are conscious of the growing threat of cyber-attacks on pension scheme information.

The trustees expect that the Scheme's provider will report any security breach immediately and ensure that members are notified as soon as possible.

Own Risk Assessment (ORA)

Each year the trustees carry out an assessment of the effectiveness of the controls which are in place to manage the risks faced by the Scheme. The trustees are currently preparing their first ORA.

Overall

The trustees are satisfied that during the year:

- Overall, core financial transactions were processed accurately, promptly and efficiently;
- There have been no material administration errors in relation to processing core financial transactions;
- The Scheme's cyber security arrangements are effective.

Security of assets

The situation regarding the security of where pension contributions are invested is complex. It can vary from scheme to scheme and from fund to fund within each scheme. To-date there have only been a few instances where members of Schemes such as ours have seen their benefits reduced as a result of a financial failure of a provider or fund manager.

The trustees have reviewed the structure of the funds used within the default arrangement and other investment options. The trustees believe that the current structures are appropriate for members when compared to other possible structures.

7 Trustee knowledge

The Scheme's trustees are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. Section 247 and 248 of the Pensions Act 2004 requires that each trustee must:

- Be conversant with the Trust Deed and Rules of the Scheme, the Scheme's SIP and any other document recording policy for the time being adopted by the trustees relating to the administration of the Scheme generally;
- Have, to the degree that is appropriate for the purposes of enabling the individual to properly exercise his or her functions as trustee, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment the assets of occupational pension schemes.

The trustees have measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

The trustees' current practices to maintain and develop their level of knowledge and understanding of matters relating to the Scheme are:

- There is an induction process for newly appointed trustees (which includes a structured training session delivered by the Scheme's adviser), who are asked to complete the Pensions Regulator's "Trustee Toolkit" within a few months of becoming a trustee;
- Training is provided to ensure that trustees maintain a working knowledge of the Scheme's Trust Deed and Rules, the Scheme's SIP as well as the investment concepts and principles relevant to the

Scheme, contract documents in relation to administration of the Scheme and the law and legislation relating to pension schemes and trusts;

- Trustees are encouraged to undertake further study and qualifications which support their work as trustees;
- The trustees have a plan in place for ongoing training appropriate to their duties;
- The effectiveness of these practices and the training received are reviewed annually;
- The trustees carry out regular assessments to confirm and identify any gaps in their knowledge and skills; and
- The trustees also receive quarterly "hot topics" from their adviser covering technical and legislative/regulatory changes affecting defined contribution (and additional voluntary contribution) schemes in general.

The trustees, with the help of their advisers, regularly consider training requirements to identify any knowledge gaps. The trustees' investment advisers raise any changes in governance requirements and other relevant matters as they become aware of them. The trustees' advisers typically deliver training on such matters at trustee meetings if they are material.

All the trustees have access to copies of and are familiar with the current governing documentation for the Scheme, including the Trust Deed & Rules (together with any amendments), SIP and all documents setting out the trustees' current policies. The trustees refer to the Trust Deed and Rules as part of deciding to make any changes to the Scheme, and the SIP is formally reviewed at least every three years and as part of making any change to the Scheme's investments. Any amendments to these documents are reviewed and approved by the trustees.

All the trustees have completed the Pensions Regulator's Trustee Toolkit within 12 months of being appointed as a trustee (the Trustee Toolkit is a free online learning programme from The Pensions Regulator aimed at trustees of occupational pension schemes and designed to help trustees meet the minimum level of knowledge and understanding required by law). A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date. The Scheme has a structured induction process for new trustees.

The trustees have an annual training day where their advisers provide training sessions on topical issues. In creating the agenda for these training days, the trustees are asked to suggest topics to cover and areas of training needs in conjunction with their advisers. In addition, trustee training material is made centrally available to all trustees and new material is itemised on the agenda of the quarterly trustee meeting. During the year covered by this statement, the annual training day was postponed so the trustees will ensure additional training sessions are included in the calendar over the next year.

The trustees are encouraged to test their familiarity with the Scheme's documentation, pensions Law/Regulations and the Pensions Regulator's DC Code of Practice 13 and supporting Guides using The Pensions Regulator's self-assessment template.

During the period covered by this Statement, the trustees received training on the following topics:

Date	**Topic**	**Aim/benefit**	**Trainer**
17 November 2021	Review of DC SIP	To enhance the trustees' knowledge of the latest iteration of the DC SIP. Once the trustees had reviewed the statement, this was published online for members to view. This benefits members as they	Hymans Robertson

		have access to this document which provides a great deal of information in relation to the Scheme.	
17 November 2021	Objectives for the DC Consultant	To enhance the trustees' knowledge of the current legislative requirements. Benefitting members by ensuring that trustees understand best practice and effectively monitor the Scheme's DC adviser.	Hymans Robertson
15 February 2022	Master Trusts	To enhance the trustees' knowledge of Master Trusts and the differences between them and the current own trust arrangement. Members benefit as the trustees, following the session, were able to make a more informed decision on the future of the DC Section.	Hymans Robertson
15 February 2022	Responsible Investment	The trustees reviewed the RI ratings (set by the DC adviser) of the provider and underlying managers and learned about RI best practice. Members benefit as the trustees expanded their knowledge of the topic and thus, are able to make more informed decisions around responsible investment options.	Hymans Robertson

The trustees have appointed suitably qualified and experienced actuaries, legal advisers and investment consultants to provide advice on the operation of the Scheme in accordance with its Trust Deed and Rules, legislation and regulatory guidance. These advisers attend trustee meetings where appropriate and are available to provide appropriate advice and support,

The trustees review the effectiveness of its advisers annually and periodically reviews the appointment of its advisers.

The trustees periodically review the effectiveness of their advisers as per the following table:

Date	**Review of**
February 2022	Stewardship report reviewing effectiveness of advisors
May 2021	The practices to maintain and develop Trustee knowledge and understanding
May 2021	The effectiveness of the training programme and training for the coming year
May 2021	Assessments to identify any gaps in the Trustees' knowledge and skills
May 2021	Assessed the overall effectiveness of the Trustee Board
February 2021	Effectiveness of advisers
Ongoing	Appointment of advisers

The trustees are satisfied that during the last year they have:

a) Taken effective steps to maintain and develop their knowledge and understanding; and

b) Ensured they received suitable advice.

The trustees intend to make the following changes to develop their knowledge and understanding:

- receive training on the Pension Regulator's new Single Code of Practice, governance effectiveness and responsible investment.

The trustees are satisfied that the combination of their knowledge and understanding together with access to suitable advice enabled them to properly exercise their duties during period covered by this Statement.

8 Our key actions last year and plans for the next year

During the last year the trustees undertook the following (over and above “business as usual”):

- Received additional DC-specific training;
- Updated the SIP to incorporate the L&G Ethical Global Equity Fund;
- Carried out a review of the DC provision available to members;
- Improved Value for Members by monitoring service levels agreed with Aviva; and.
- Arranged for the publication of this Statement, together with the SIP in a publicly searchable location on the internet with a note of this location in the annual benefit statements (this document is saved on this site - https://vfm.aviva.co.uk/sgn-pension-f70102/).

In the coming year (which will be covered by the next Statement), the trustees intend, in conjunction with the Employer, move the DC Section to the Aviva Master Trust. The trustees believe that this work will help you get the best out of our Scheme.

9. Missing information

The trustees are satisfied that full information on charges and transaction costs has been obtained.

Appendix 1
Statement of Investment Principles

Scotia Gas Networks Pension Scheme – DC Section
Statement of Investment Principles

November 2021

Contents

Introduction

The law requires the trustees to produce a formal “Statement of Investment Principles” for the Scheme’s default arrangement and its other investment options. These Statements set out what the trustees aim to achieve with the investment options and their investment policies which guide how members’ money is invested.

This document is a compendium of the Statements of Investment Principles for the Scotia Gas Networks Pension Scheme (the “Scheme”). These Statements must cover a number of technical points to comply with legislation as well as meet the expectations of the Pensions Regulator and needs of the Scheme’s Auditors which, as far as possible, are shown separately in “for the record” boxes.

The trustees began publishing the Statements of Investment Principles from 1 October 2019 and publishes a statement each year from 1 October 2020 describing how these Statements have been followed in the last year.

Statements of Investment Principles

The trustees’ Statements of Investment Principles for the DC Section contained in this document include the:

1 Statement of the aims and objectives for the default arrangement*;

2 Statement of the aims and objectives for investment options outside the default arrangement*; and

3 Statement of investment beliefs, risks and policies**.

The Statement of Investment Principles for the DC Section of the Scheme ** comprises items 1, 2 and 3.

The Statement of Investment Principles for the Scheme’s default arrangement *** comprises items 1 and 3.

Appendices

A. Investment implementation for the default arrangement;

B. Investment implementation for the investment options outside the default arrangement; and

C. Summary of the approach to investment governance.

For the record

* In accordance with Regulation 2A(1) of the Occupational Pension Schemes (Investment) Regulations 2005.

** In accordance with Regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005 as modified by subsequent Regulations and section 35 of the 1995 Act.

*** As required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015

The trustees have taken proper written advice and consulted the Employer in the preparation of these Statements of investment Principles.

These Statements will be reviewed at least every three years or more frequently as required by the Regulations.

For and on behalf of the trustees of the Scheme

Name	Signed	Date

1 Statement of the aims and objectives for the default arrangement

Reasons for the Default Arrangement

The trustees have decided that the Scheme should have a default investment arrangement because:

- The Scheme is a qualifying scheme for auto-enrolment purposes and so must have a default arrangement;
- It should be easy to be a member of the Scheme and start building retirement benefits without the need to make any investment decisions; and
- A majority of the Scheme's members are expected to have broadly similar investment needs.

Choosing the default arrangement

The default options for the DC (and AVC) sections of the Scheme were revised in 2018 following a review of investment strategy.

Members who did not wish to follow the automatic switch into the new default option were given the option to move to a self-select basis and could elect to remain invested how they were (with no future lifestyling).

Following the implementation of the default option, the legacy lifestyle options (SGN 10 Year Lifetime (the old default option), SGN 5 Year Lifetime and SGN 10 Year Lifecycle) were closed to new money however members who were within 3 years of retirement in October 2018 were defaulted to remain in their current strategy unless they actively chose to move into the new default or chose to self-select.

The trustees believe that understanding the Scheme's membership is essential to designing and maintaining a default arrangement which meets the needs of the majority of members.

The trustees have taken into account a number of aspects of the Scheme's membership including:

- The members' age and salary profile;
- The likely sizes of pension pots at retirement; and
- Members' likely benefit choices at and into retirement.

Objectives for the default arrangement

The main objective of the default arrangement is to provide good member outcomes at retirement. The trustees believe that it is in the best interests of the majority of members to offer a default which:

- Manages the principal investment risks members face during their membership of the Scheme;
- Maximises investment returns relative to inflation while taking an appropriate level of risk during membership of the Scheme for the majority of members who do not make investment choices; and
- Reflects members' likely benefit choices at retirement.

The default arrangement

The default arrangement is therefore a lifestyle strategy (Aviva's My Future Consolidation Lifestyle) which:

- Invests in the Aviva My Future Growth fund in the growth phase with the aim to grow members' assets in real terms when they are many years from retirement, then gradually moves investments to the Aviva My Future Consolidation fund which broadly targets income drawdown at retirement.
- Targets members who are expected to use Flexible Access Income Drawdown during their retirement. Members of the Scheme also have the option to choose lifestyles targeting both annuity purchase and cash withdrawal at the point of retirement.

The expected levels of investment returns (after the deduction of charges) and risks for the funds used are consistent with the trustees' objectives for the default arrangement. The expected investment returns and approach to managing investment risks including financially material considerations such as climate change are described in Section 3.

Full details of the current default arrangement are given in Appendix B "Investment implementation for the default arrangement".

2 Statement of the aims and objectives for investment options outside the default arrangement

Reasons for the investment options

In addition to the default arrangement, the Scheme offers members a choice of investment options because:

- While the default arrangement is intended to meet the needs of a majority of the Scheme's members, it may not meet the needs of a wider cross-section of members;
- Attitudes to investment risks and the need for investment returns will vary from member to member and will also vary for each member over time and, in particular, as they approach retirement;
- Members have differing investment needs and these needs change during their working lives; and
- Some members will want to be more closely involved in choosing where their contributions are invested.

Choosing the investment options

Membership analysis

The trustees believe that understanding the Scheme's membership is important to maintaining an appropriate range of investment options and have taken into account a number of aspects including:

- The members' age and salary profile;
- The likely sizes of members' pension pots at retirement;
- Members' retirement dates and likely range of benefit choices at retirement;
- The levels of investment risk and return members may be willing to take; and
- The degree to which members are likely to take an interest in where their contributions are invested.

Costs of investment options

The investment costs are borne by members and so a balance needs to be struck between choice and costs.

Objectives for the investment options

The Scheme offers members a choice of investment options as an alternative to the default arrangement.

Self-select funds

The objectives of the self-select fund range are to:

- Provide a choice of individual funds for members who want to be more closely involved in choosing where their pension pots are invested;
- Complement the objectives of the Default Arrangement;
- Provide a broader choice of levels of investment risk and return;
- Provide a broader choice of investment approaches;
- Help members more closely tailor how their pension pots are invested to their personal needs and attitude to risk;
- Help members more closely tailor how their pension pots are invested to reflect the benefits they intend to take at retirement.

Nevertheless, the self-select fund range cannot be expected to cover all the investment needs of all members.

Risk and return

The expected levels of investment returns (after the deduction of charges) and risks for the funds used are consistent with the trustees' objectives for these investment options. The expected investment returns and approach to managing investment risks including financially material considerations such as climate change are described in Section 3.

Full details of the current investment options are provided in the documents Appendix B "Investment implementation for investment options outside the default arrangement" and Appendix A "Investment implementation for the default arrangement".

3 Statement of investment policies

Introduction

This Statement sets out the investment policies which guide the trustees' decision making.

For the record

This Statement of investment beliefs, risks and policies should be read in conjunction with the Statements of the aims and objectives for both the default arrangement and the investment options outside the default arrangement. Collectively, these respectively form the Statements of Investment Principles for the Scheme and the default arrangement.

This Statement of investment beliefs has been prepared in accordance with the Occupational Pension Scheme (Investment) Regulations 2005 as amended by the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) Regulations 2019.

Risks

Principal investment risks

The trustees believe that the three principal investment risks most members will face are:

1) Inflation risk – investment returns over members' working lives may not keep pace with inflation and, as a result, do not produce adequate retirement benefits.

Further from retirement, this risk should be countered by funds investing in equities and other growth orientated assets which are expected to produce returns well in excess of inflation over the longer term. Approaching retirement, the impact of this risk needs to be balanced against the other main risks members face.

2) Benefit conversion risk – investment conditions just prior to retirement may increase the cost of turning members' fund values into retirement benefits.

For members taking cash at retirement, funds investing in cash deposits and other short-term interest-bearing investments provide a high degree of (but not complete) capital security. Funds investing in a mix of different assets are expected to be broadly suitable for members planning income drawdown during retirement. For members buying an annuity at retirement, the value of funds investing in longer-dated bonds may be expected to broadly follow changes in annuity rates caused by long-term interest rates.

3) Volatility/Market risk – falls in fund values prior to retirement lead to a reduction in retirement benefits.

Shifts in market sentiment (for example, in response to economic news or geopolitical events) or momentum in general market trading can lead to widespread changes and/or volatility in asset values over the short-term.

This can include short-term changes in the normally expected correlations of the behaviour of risks and returns seen between different asset classes, when standard approaches to mitigating risks such as diversification are temporarily ineffective.

Funds investing in bonds or a mix of assets or investment techniques intended to manage short-term risks may be expected to be subject to lower levels of short-term fluctuations in values - although there may be occasions when this does not hold good.

Other investment risks

The trustees believe that other investment risks members may face include:

Active management risk – a fund manager's selection of holdings may not lead to investment returns in line with the fund's objectives and investment markets generally.

Currency risk – changes in exchange rates will impact the values of investments outside the UK when they are being bought or sold.

Interest rate risk – the value of funds which invest in bonds will be affected by changes in interest rates.

Default risk – for bond funds (where money is lent in return for the payment of interest), the company or government borrowing money fails to pay the interest due or repay the loan.

Liquidity risk – funds which invest in assets which cannot be easily bought or sold (such as property) may at times not be able to accept new investments or disinvestments of existing holdings.

Counterparty risk – the financial institutions holding a fund's assets may get into financial difficulties leading to a reduction in a fund's value.

Market risks - Shifts in market sentiment (for example, in response to economic news or geopolitical events) or momentum in general market trading can lead to widespread changes and/or volatility in asset values over the short-term.

This can include short-term changes in the normally expected correlations of the behaviour of risks and returns seen between different asset classes, when standard approaches to mitigating risks such as diversification are temporarily ineffective.

Environmental, Social and Governance (ESG) risks – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.

Climate risk - The extent to which climate change causes a material deterioration in asset values as a consequence of factors including, but not limited to: policy change, physical impacts and the expected transition to a low-carbon economy.

Legislative/Regulatory - Changes in government policy or taxation may have a long-term positive or negative impact on certain sectors of a country's economy or one country relative to its neighbours over the medium to longer-term. Changes in Regulations can also affect the operational costs, tax efficiency and security of one investment vehicle relative to other vehicles over the shorter-term.

Managing risks

The trustees have developed and maintain a framework for assessing the impact of all investment risks on long-term investment returns.

Time horizon

The trustees monitor the age profile of the Scheme's membership to arrive at an appropriate investment horizon when considering all investment risks:

- The Scheme has been closed to new entrants since 2007;
- As a result, the youngest members in the Scheme are c.35 years old and investment risks need to be considered over a 30 year time horizon;
- A majority of members are expected to take income drawdown in retirement and provision is offered for income drawdown from the Scheme;

- Some members may choose to buy an annuity from age 55 and investment risks for this group need to be considered carefully. There may be a difference between the member's time horizon and the time horizon for underlying investment which are expected to reflect the maturity profile (and interest rate sensitivity) of the assets backing an insurer's annuity business.

Principal investment risks

The lifestyle option manages the three main investment risks as members grow older by automatically switching from funds which are expected to give long-term growth relative to inflation into funds whose values should fluctuate less in the short-term relative to the benefits members are expected to take at retirement.

The self-select fund range provides members with a choice of funds with differing risk and return characteristics which are expected to meet the investment needs of a majority of members.

Ability to invest/disinvest promptly

The trustees recognise that it is important that members' contributions can be invested promptly in selected investment funds, and that these can be sold promptly for example when members wish to change where they are invested, transfer to another arrangement or if they wish to draw on their pension pot. The trustees manage this risk by selecting pooled investment funds which can be dealt on a daily basis.

The platform provider is responsible for monitoring the ability for members to invest and disinvest promptly and is expected to notify the trustees if a situation develops whereby there is any restriction on the ability for members to do so. For example, this situation could occur in the event of significant economic uncertainty impacting on the ability for fund managers to value the underlying assets.

Other investment risks

The trustees manage the other investment risks as part of the process for selecting and ongoing monitoring of the funds used by the Scheme.

The funds used give a good spread of investments which will help manage risks associated with market conditions, fund manager actions and default.

At this time, the trustees have not made explicit allowances for climate change within the development or implementation of its investment strategy. The trustees do discuss the potential impact of climate risks with their adviser on a periodic basis and will monitor developments in this area including the availability of solutions to mitigate climate-related risks.

Financially material considerations

The trustees recognise that:

- The consideration of financially material considerations, including ESG factors and climate risk, over the appropriate time horizon are relevant at different stages of the investment of members' defined contribution benefits; and
- The financial materiality of any factor, including ESG factors and climate risk, may be relevant to different degrees according to the asset class or classes in which a fund invests.

The trustees will consider financially material considerations, including ESG factors and climate risk in the development and implementation of the Scheme's investment arrangements for the purposes of determining the selection, retention and realisation of investments where there is sufficient data or evidence to allow them to systematically do so. Following a review of the investment options in February 2021, the trustees introduced an ESG fund, the L&G Ethical Global Equity Fund which takes account of ESG factors and climate risk.

The trustees expect that the investment platform provider will engage with their investment managers to ensure they take such considerations into account within their decision making.

Implementation

The Scheme uses standard pooled funds offered by investment platform providers and fund managers. This gives access to a range of funds while keeping down costs to members, but means that the trustees cannot adopt an approach to managing financially material considerations specific to the Scheme. The trustees nevertheless seek to manage financially material considerations to protect long-term returns by:

- Choosing an investment platform provider who has adopted effective processes for the selection and governance of fund managers' policies and practices for financially material considerations including climate change;
- Choosing fund managers who have clearly articulated policies for managing financially material considerations including climate change;
- Considering the extent to which ESG issues including climate risk, where relevant, are integrated into the platform provider's investment processes; and
- For actively managed funds (where the fund manager decided where to invest), expect the fund managers to take financially material considerations in to account when selecting which companies and markets to invest in;
- For passively managed funds, the trustees recognise that the choice of benchmark dictates the assets held by each fund and that the investment manager has minimal freedom to take account of factors that may be deemed to be financially material. The trustees accept that the role of the passive manager is to deliver returns in line with the benchmark index (which may or may not include ESG factors) and which the trustees believe will deliver appropriate risk adjusted returns in line with their current investment strategy. The trustees will review periodically the choice of fund and index benchmarks used;
- For all funds, expect fund managers to engage with companies in which the fund invests to encourage business strategies which should improve or protect the value of those investments; and
- Prefer fund managers who are signatories to the Financial Reporting Council's Stewardship Code in the UK and the United Nations supported Principles for Responsible Investment.

Expected returns on investments

The trustees believe that it is important to balance investment risks with the likely long-term returns from different types of assets used in funds (taking the funds' costs and charges into account).

Asset class	Expected long-term investment returns relative to inflation	Expected shorter- term volatility in fund values
Equities (i.e. company shares)	Strong return relative to inflation	Most volatile in the short-term
Property (e.g. offices, shops and warehouses)	Positive, but lower than equities	Lower than equities
Corporate Bonds (i.e. loan stocks issued by companies)	Positive, but lower than equities and property	Lower than equities or property
Fixed Interest Government Bonds (e.g. UK Gilts)	Lower than equities, property or corporate bonds	Lower than equities, property or corporate bonds

Index-Linked Government Bonds (e.g. UK Index-Linked Gilts	In line with inflation	Lower than equities, property or corporate bonds
Cash (and other short-term interest-bearing investments)	Return may not keep pace with inflation	Minimal with high degree (but not complete) of capital security

Long-dated Bonds (e.g. UK Gilts and Corporate Bonds with a duration of 15 years or more) – should give fund values which move broadly in line with the financial factors influencing annuity rates.

Multi-asset funds (i.e. investing in a varying mix of asset classes) - should deliver positive returns relative to inflation over the longer-term, with lower short-term volatility than equities.

Types of funds used

Structure of the investment arrangements

The Scheme invests contributions for members through the provider's investment platform. Contributions buy units in the provider's funds. The provider in turn backs the value of its funds by buying units in funds from a selection of fund managers where investments are pooled with other investors. This enables the Scheme to invest in a range of funds giving a good spread of investments in a cost-effective manner.

The Scheme's asset, and the trustees' contract with the provider, is the policy of insurance issued by the provider. As a result, the trustees do not have any contractual arrangement with the investment managers or title to the underlying funds' assets.

Delegation of investment decisions

Due to the structure of the investment arrangements as outlined above, the trustees have delegated day to day investment decisions including the management of financially material considerations to the fund managers.

Selection of funds

The trustees will invest in funds on the provider's platform which in turn invest in the investment managers' pooled funds. The objectives of the funds and the policies of the investment managers will be evaluated by the trustees to ensure that they are appropriate for the needs of the Scheme.

The trustees' choice of funds, and hence choice of approaches to aspects such as responsible investment and shareholder engagement, are constrained by the choice of funds available on the provider's platform. While the trustees will endeavour as far as possible to select a platform provider and funds on that provider's platform which are consistent with the Scheme's investment objectives, this needs to be balanced against the wider benefits of access to the other funds on the platform and the other services from the platform provider as well as taking into consideration the costs of change to the Scheme and its members.

The trustees will seek to engage with the platform provider to obtain funds which meet the trustees' investment beliefs, and are expected to improve outcomes for members, but this is subject to being commercially viable for the provider and consistent with the charge cap for the default arrangement. The trustees expect the provider to encourage the investment managers to adopt appropriate practices for responsible investment and shareholder engagement.

The trustees will periodically review the choice of platform provider, at which time the suitability of the provider's fund range and effectiveness of its governance of the investment managers on its platform will be key criteria.

Manager incentives

The basis of remuneration of the investment managers by the platform provider may be subject to commercial confidentiality, however, the trustees will seek transparency of all costs and charges borne by members.

Nevertheless, the trustees expect that it will be in the interests of both the platform provider and the investment managers on the provider's platform to produce growth in asset values in line with the funds' investment objectives. For passively managed funds this should be within an acceptable margin of the index the fund tracks. For actively managed funds the investment return should be commensurate with the level of investment risk implied by the fund's objectives.

When selecting funds, the trustees will ask their investment advisor to consider the investment managers' remuneration strategies and appropriateness of each fund's investment guidelines to ensure that there is no inducement or scope to take an undue level of risk and that the investment managers will act in line with the interests of the Scheme's members.

In accordance with the 2015 Regulations, the trustees conduct an annual Value for Members assessment and will take action should the provider be found to be giving poor value. In addition, in accordance with guidance from the Pensions Regulator, the trustees will periodically review the Scheme's choice of provider to ensure their charges and services remain competitive. The trustees believe that these steps are the most effective way of incentivising the provider to deliver Value for Members, of which investment management charges and investment performance are key considerations.

The trustees also undertake a review at least every three years in which the appropriateness of the investment options at which time the suitability of the Scheme's investment management arrangements are also considered.

The trustees will monitor the investment managers against a series of metrics on a regular basis over a long-term time horizon of over 5 years including:

- Short term performance and since inception of their funds' respective benchmarks or performance targets;
- Relative tracking error where appropriate;
- The exercise of stewardship responsibilities (including engagement with issuers); and
- The management of risks.

The platform provider or investment managers are expected to provide explanations for any significant divergence from a fund's objectives. A material deviation from performance and risk targets or approach to portfolio management is likely to result in the fund being formally reviewed.

Portfolio turnover

The trustees do not expect investment managers to take excessive short-term risk and will monitor the investment manager's performance against the benchmarks and objectives on a short, medium and long terms basis.

For passively managed funds the turnover of holdings is driven by changes in the index a fund seeks to track and hence is outside the control of the investment manager except where a fund's total assets under management are relatively small where the investment manager does not fully replicate the index or where a fund invests in less liquid stocks.

When selecting actively managed funds, the trustees will consider, with the help of their investment advisers, the expected level of turnover commensurate with a fund's investment objectives, the investment manager's investment processes and the nature of the fund's assets.

Whilst the trustees expect performance to be delivered net of costs, including the costs of trading within the portfolio, the trustees will ask the investment platform provider or investment managers on the platform to report

on at least an annual basis on the underlying assets held within fund with details of any transactions and turnover costs incurred over the Scheme's reporting year. The trustees will seek to compare portfolio turnover and the resultant costs against peer groups or portfolio turnover and costs for an appropriate index.

Where a fund has significantly under or outperformed its benchmark, the trustees will seek to ascertain where necessary whether higher or lower than normal turnover has been a contributory factor. The trustees will challenge the platform provider and/or investment managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

Portfolio duration

The trustees recognise the long-term nature of defined contribution pension investments and chooses funds which are expected to deliver sustainable returns over the Scheme members' investment horizon. The trustee will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the objectives for the related investment option.

The trustees expect that each fund will be used for at least three years, this being the period over which performance of the fund can be appropriately evaluated and the costs of change amortised, although all funds are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy.

Security of assets

The funds are provided through a policy of insurance issued to the trustees by the platform provider. As a result, the value of the funds may be affected in the event of the provider getting into financial difficulties.

In the event of a fund manager getting into financial difficulties, the values in these underlying funds will depend upon the nature of the contract with the platform provider and the fund vehicles used by the fund managers' funds.

Realisation of investments

The trustees expect that the investment platform provider and the fund managers will normally be able to sell the funds within a reasonable timescale. There may, however, be occasions where the investment platform or fund managers need to impose restrictions on the timing of sales and purchases of funds (most notably for funds investing in property) in some market conditions to protect the interests of all investors in that fund.

Nevertheless, the trustees recognise that most members' pension pots have a long investment timeframe, during which assets which are less easily traded (such as property or infrastructure) can be managed to deliver good long-term returns while avoiding the impact of liquidity issues at retirement.

Balance of investments

Overall, the trustees believe that the Scheme's investment options:

- Provide a balance of investments; and
- Are appropriate for managing the risks typically faced by members.

Stewardship

The trustees recognise that stewardship encompasses the exercise of voting rights, engagement by and with investment platform and fund managers and the monitoring of compliance with agreed policies.

The Scheme offers members the default arrangement and a choice of self-select funds. The trustees' stewardship activities are to be focused on the default arrangement which is used by the largest number of members and accounts for the majority of the DC assets.

Members' financial interests

The trustees expect that the investment platform provider and fund managers will have the members' financial interests as their first priority when choosing investments.

Conflicts of interest

When appointing platform providers and choosing investment managers' funds on the provider's platform, the trustees will seek to establish that the platform provider and each investment manager has an appropriate conflicts of interest policy in place. This includes any provisions to disclose any potential or actual conflict of interest in writing to the trustees.

When given notice the trustees will consider the impact of any conflicts of interest arising in the management of the funds used by the Scheme.

Responsibility for investment decisions has been delegated to the investment managers which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where managers are investing in new issuance, the trustees expect the investment manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The trustees will consider any conflicts of interest arising in the management of the funds used by the Scheme and will ensure that the platform provider and each investment manager has an appropriate conflicts of interest policy in place. Platform providers and investment managers are required to disclose any potential or actual conflict of interest in writing to the trustee.

Voting and engagement

The trustees believe that engagement with the companies in which the Scheme invests, including the proactive use of shareholder voting rights, can improve the longer-term returns on the Scheme's investments.

The Scheme invests via an investment platform provider, who in turn invest in funds which are pooled with other investors to keep costs down and ensure adequate diversification. As a result, the trustees have adopted a policy of delegating voting decisions on stocks to the underlying fund managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The fund managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

Where relevant, the trustees have reviewed the voting and engagement policies of the fund managers as well as the approach to governance of the investment platform provider and determined that these policies are appropriate. On an annual basis, the trustees will request that the investment platform provider provide details of any change in their house policy.

Where appropriate, the trustees will engage with and may seek further information from the investment platform provider and fund managers on how portfolios may be affected by a particular issue.

The trustees do not engage directly but believe it is sometimes appropriate for the fund managers to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to improve corporate behaviours, improve performance and mitigate financial risks. The trustee aims to review engagement activity undertaken by the fund managers as part of its broader monitoring activity.

The trustees expect the investment platform provider to adopt similar practices with regards to the inclusion and ongoing oversight of fund managers on their platform. The trustees also expect the platform provider to be able to evidence their own governance practices on request.

Monitoring

The trustees expect the platform provider to monitor adherence of their investment managers to stated voting and engagement policies, engage with managers where concerns are identified and to report on these issues. The trustees will request reports from the investment platform provider on the fund managers' voting activity on a periodic basis. The trustees will also periodically review the fund managers voting patterns and may also monitor voting on particular companies or issues affecting more than one company.

The trustees review the fund managers' voting activity annually in conjunction with their investment adviser and use this information as a basis for discussion with the investment platform provider and fund managers.

The trustees aim to meet with Aviva on a periodic basis. The trustees will provide Aviva with an agenda for discussion, including issues relating to individual holdings voting record and, where appropriate, ESG issues. Aviva are challenged both directly by the trustees and by their investment advisers on the impact of any significant issues including shareholder voting record, conflicts of interests and, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

Non-financial factors

The trustees note that a large majority of members have not made active investment choices in actively managed funds and so the trustees believe that most members are unlikely to have strong views on where their savings are invested. The trustees have not considered any non-financially material factors in the development and implementation of their investment strategy

The trustees note that non-financial factors can affect various investment risks which are borne by members and may under-perform other funds with broader-based investment approaches.

Fund managers are otherwise only expected to take non-financial factors into account when these do not conflict with the financial interests of members and the Scheme's investment objectives.

For the record

The trustees obtain and consider proper advice from suitably experienced and qualified persons when choosing investments and preparing the Statement of Investment Principles.

Funds are chosen by the trustees to give an expected level of return with an appropriate level of investment risk which meets the objectives of each default arrangement and other investment options.

The funds used at each stage of the default arrangement are intended to deliver good member outcomes at retirement from an appropriate balance of investment growth relative to inflation and the then pertinent investment risks.

The investment platform uses a life insurance company based legal vehicle for its funds. The fund managers used by the platform use a variety of different legal vehicles for their funds. The funds may invest in quoted and unquoted securities traded in regulated UK and overseas markets:

- Equities (company shares);
- Fixed interest and index-linked bonds issued by governments and companies;
- Cash and other short-term interest bearing deposits;
- Commercial and residential property;
- Illiquid assets including infrastructure, forestry, private equity and private debt;
- Commodities through collective investment vehicles; and
- Derivatives to facilitate changes in where funds are invested or to help control investment risks.

Funds provided through a life insurance company must comply with the Financial Conduct Authority ("FCA") "Permitted Links" rules, which place limits on the degree of leverage a fund can use. Fund managers using other fund vehicles subject to the European "UCITS IV" and the FCA's "Non-UCITS" regulations have to meet requirements on the security and concentrations of assets. Exchange Traded Funds may be used directly or indirectly to gain access to less easily traded and illiquid asset classes.

Subject to the funds' benchmarks and guidelines, the fund managers are given full discretion over the choice of securities and, for multi-asset funds, choice of asset classes. Fund managers are expected to maintain well-diversified and suitably liquid portfolios of investments.

The trustees consider that these types of investments are suitable for the Scheme. The trustees are satisfied that the funds used by the Scheme provide adequate diversification both within and across different asset classes.

Appendix A

Investment implementation for the default arrangement

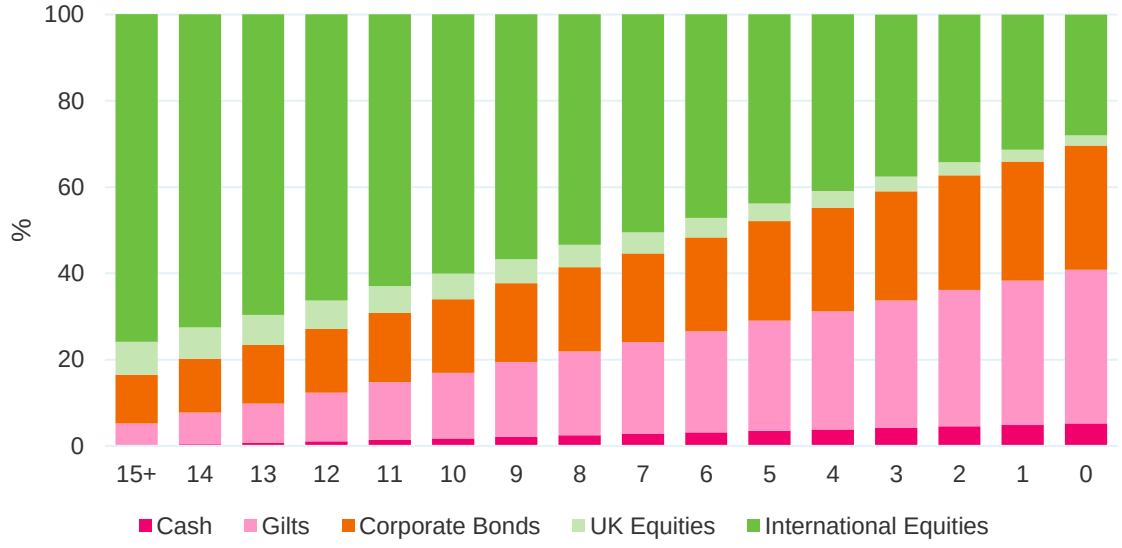
Default arrangement

The default arrangement is a lifestyle strategy which targets income drawdown at retirement.

Members are invested in funds expected to give higher returns relative to inflation up to 15 years before their retirement date.

Members are gradually switched into funds which are expected to give good returns relative to inflation while consolidating past investment gains between 15 and their retirement date.

Please note that the underlying asset allocations are dynamic.



Source: Aviva 30 June 2021

Fund allocation

The allocation to each fund in the default arrangement at yearly intervals up to a member's retirement date is:

Years to retirement	My Future Growth Fund	My Future Consolidation Fund
15 or more	100	0
14	93	7
13	87	13
12	80	20
11	73	27
10	67	33
9	60	40
8	53	47

7	47	53
6	40	60
5	33	67
4	27	73
3	20	80
2	13	87
1	7	93
0	0	100

Rebalancing between these funds takes place on a quarterly basis.

Funds and charges

The funds used by the default arrangement and their charges (expressed as a percentage annual management charge ("AMC") and Total Expense Ratio ("TER") as at 31st October 2021are:

Fund name	AMC %	TER %
Aviva Pension My Future Growth IE	0.49%	0.47%
Aviva Pension My Future Consolidation IE	0.49%	0.47%

Members in the default option will see TERs of 0.47% p.a. Please note that the TERs shown are less than the AMCs due to a discount being provided to the Scheme.

Investment costs

Fund charges

The investment platform provider's and fund managers' charges for the investment options are borne by the members.

The Scheme is a "qualifying scheme" for auto-enrolment purposes, which means that the Default Option is subject to the charge cap introduced by the government from April 2015.

Transaction costs

Transaction costs arise when the fund managers buy and sell the assets held by each fund. Costs may also be incurred when units in the funds are bought and sold. These costs are taken into account when calculating the funds' unit prices and members' fund values.

Review

The present default arrangement was introduced in October 2018 and reviewed in February 2021.

Appendix B
Investment implementation for investment options outside the default arrangement

Self-select fund range

The Scheme offers members a choice of self-select funds options as an alternative to the default option.

Fund range

The choice of self-select funds and their charges (expressed as a percentage [annual management charge] ("AMC") and Total Expense Ratio ("TER") as at 31st October 2021 are:

Fund name	AMC %	TER %
Av Legal & General (PMC) Ethical Global Equity Index XE	0.49	0.64
Av BlackRock (30:70) Currency Hedged Global Equity (Aq C) IE	0.49	0.49
Av BlackRock 5Y+ Index Linked Gilt Index (Aq C) IE	0.49	0.45
Av BlackRock Corporate Bond Index All Stock (Aquila C) IE	0.49	0.40
Av BlackRock Emerging Markets Index IE	0.49	0.85
Av BlackRock European Equity Index (Aquila C) IE	0.49	0.45
Av BlackRock ICS Sterling Liquidity IE	0.49	0.45
Av BlackRock Over 15 Year Gilt Index (Aquila C) IE	0.49	0.45
Av BlackRock UK Equity Index (Aquila C) IE	0.49	0.45
Av BlackRock World (Ex-UK) Equity Index (Aquila C) IE	0.49	0.45
Av My Future Annuity IE	0.49	0.49
Av My Future Cash Lump Sum XE	0.49	0.48
Av My Future Consolidation IE	0.49	0.47
Av My Future Drawdown XE	0.49	0.48
Av My Future Growth IE	0.49	0.47
Av Property XE	0.49	0.64
Av Schroder Diversified Growth IE	0.49	1.14

Please note that where the TER is less than the AMC, the Scheme has benefitted from a discount on fund charges.

Investment costs

The investment platform provider's and fund managers' charges for the investment options are borne by the members.

Transaction costs arise when the fund managers buy and sell the assets held by each fund. Costs may also be incurred when units in the funds are bought and sold. These costs are taken into account when calculating the funds' unit prices and members' fund values and are borne by members.

Review

The updated self-select fund range was introduced in October 2018 and reviewed in February 2021 when it was agreed to include the L&G Ethical Fund.

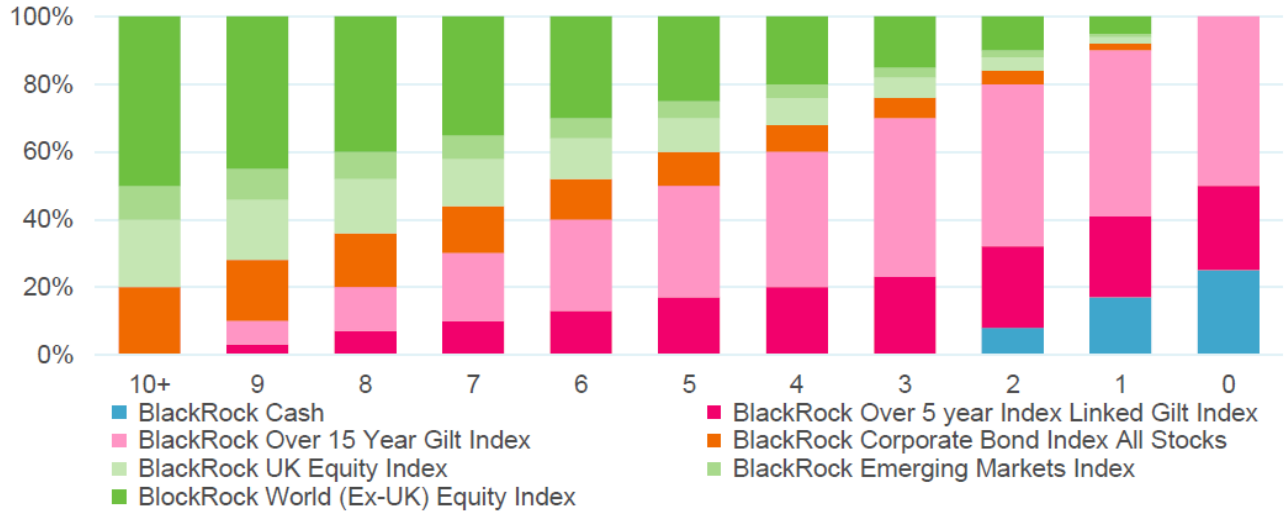
Legacy investment options

Closed lifestyle option

There is one legacy lifestyle option which is now closed to new entrants. Those members who had 3 years until retirement in September 2018 were automatically left in this lifestyle option and not moved across to the new default arrangement. Please note that there were two other legacy lifestyle options, however these are now closed and do not have any members invested so we have not provided details of these strategies below.

Details of the one remaining legacy lifestyle option with members invested are provided below.

SGN 10 Year Lifecyle 2014



The SGN 10 Year Lifecycle was introduced following the DC Section review in 2013 as an additional optional lifestyle strategy with a more diversified global equity exposure. It begins de-risking ten years from retirement but includes investments in corporate bonds and gilts in the de-risking phase. Members have had to opt in to the new strategy and take up of the new offering has been low.

Appendix C
Summary of the approach to investment governance

For the record
The trustees' approach to investment governance complies with the provisions of the Scheme's Trust Deed and Rules as well as legislative requirements.

The Scheme's investment governance is also intended to meet the expectations set out in the Pensions Regulator's 2016 Code of Practice 13.

Exercising the trustees' Powers
The trustees will always act in the best interests of the members.

The trustees have delegated day-to-day work on the Scheme's administration and investments.

Conflicts of interest
In the event of a conflict of interests, the trustees will ensure that contributions are invested in the sole interests of members and beneficiaries.

Monitoring
The trustees regularly monitor and review:

Investment Performance - The performance of the funds in which the Scheme invests against both the funds' stated performance objectives and the investment objectives of the Scheme.

This will also include monitoring the levels of portfolio turnover in the event that significant under or out-performance occurs.

Value for Members - The member borne charges for the default option against the charge cap for auto-enrolment purposes and the funds' charges and transaction costs to ensure that they represent value for members.

Suitability - The suitability of the default option and investment options outside the default arrangement at least every three years and without delay after any significant change in investment policy or the demographic profile of the Scheme's membership.

The Statements of Investment Principles - at least every three years and without delay after any significant change in investment policy or the demographic profile of the Scheme's membership. The trustees will consult the Employer on any changes.

Compliance with Statement of Investment Principles
The trustees will monitor compliance with the Statement of Investment Principles annually and publish a report to members with effect from the Scheme year ending after 1 October 2020.

Investment process - The processes for investing contributions and taking money from the investment options to pay benefits to ensure that they are carried out promptly and accurately.

Security of assets - The security of funds' assets when choosing a fund provider/manager and thereafter.

Voting – The fund managers' records of exercising shareholder voting rights.

Conflicts of Interest – Instances where the actions of the platform provider or fund managers may be in conflict with the best interests of the Scheme's members.

Reporting

The trustees arrange for the preparation of:

- The Scheme's audited Annual Report and Accounts (which includes the Annual Governance Statement);
- The Annual Governance Statement by the Chair of trustees describing the Scheme's investment costs, value for members and governance during the previous year;
- An annual Implementation Statement describing how the policies and practices described in the Statement of Investment Principles have been followed during the previous year;
- Publication of an extract from the Annual Governance Statement by the Chair of trustees, Statement of Investment Principles and Implementation Statement (from 1 October 2020) in a publicly searchable location on-line; and
- An annual return to the Pensions Regulator.

Appendix 2

Table of funds and charges

2a Default arrangement

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year used in the default arrangement were:

Fund	ISIN *	Charges **		Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested
My Future Growth	Not available	0.47	4.70	0.0852	0.85
My Future Consolidation	Not available	0.47	4.70	0.0703	0.70

Source: Aviva, 31 March 2022

2b Lifestyle options outside the default arrangement

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year used in the **SGN 5 Year Lifecycle lifestyle option** were:

Fund	ISIN *	Charges **		Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested
BlackRock Cash	IE00B43FT809	0.45	4.50	0.0157	0.16
BlackRock 5Y+ Index Linked Gilt Index	GB00BYSL7T06	0.45	4.50	0.0046	0.05

Please note BlackRock Long Term Fund is no longer available for members to invest in. The fund was removed from the platform once after all members in the 5 Year Lifecyle option had de-risked out of it.

Source: Aviva, 31 March 2022

2c Self-select funds outside the default arrangement

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year for the self-select funds were:

Fund	ISIN *	Charges **		Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested
Schroder Life Intermediated Diversified Growth	GB00B1XH5C18	1.04	10.40	0.3206	3.21
Aviva Pension Property FP	GB00B00GX536	0.64	6.40	0.2087	2.09
BlackRock 5Y+ Index Linked Gilt Index	GB00BYSL7T06	0.45	4.50	0.0046	0.05
BlackRock Over 15 Year Gilt Index	GB00BYSL8424	0.45	4.50	0.0042	0.04
BlackRock European Equity Index	GB00BYSL7H63	0.45	4.50	0.0598	0.60
BlackRock Corporate Bond Index All Stock	GB00BYSL7F69	0.40	4.00	0.1318	1.32
BlackRock World (Ex-UK) Eq Index	GB00BYSL7P67	0.45	4.50	0.0165	0.17
BlackRock (30:70) Currency Hedged Global Equity Index	GB00B3XTT850	0.49	4.90	0.0784	0.78
BlackRock UK Equity Index	GB00BYSL8D11	0.45	4.50	0.2010	2.01
BlackRock Cash	IE00B43FT809	0.45	4.50	0.0157	0.16
BlackRock Emerging Markets Index	IE00B3D07H30	0.85	8.50	0.0000	0.00
L&G Ethical Global Equity Fund	*	0.64	6.40	0.0000	0.00

Source: Aviva, 31 March 2022. Please note that since the Legal & General funds are PMC funds (i.e. are offered via an insurance policy) they fall outside the definition of 'securities' and thus do not have associated ISINs

2d Additional Voluntary Contributions for members in the defined benefit section

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year for the AVC funds were:

Fund	ISIN *	Charges **		Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested
BlackRock 5Y+ Index Linked Gilt Index	GB00BYSL7T06	N/A	N/A	0.0046	0.05

BlackRock Corporate Bond Index All Stock	GB00BYSL7F69	N/A	N/A	0.1318	1.32
BlackRock UK Equity Index	GB00BYSL8D11	N/A	N/A	0.2010	2.01
BlackRock (30:70) Currency Hedged Global Equities	GB00DH3Q043	N/A	N/A	0.0784	0.78
LGIM Diversified Fund	GB00B6V6GS85	N/A	N/A	0.0000	0.00
BlackRock Cash	IE00B43FT809	N/A	N/A	0.0157	0.16

Source: Aviva, 31 March 2022

The Funds offered under the AVC section do not have an AMC chargeable as a direct charge applies. This cost is met by the employer.

* ISIN = the International Securities Identification Number unique to each fund.

** Charge = the funds' Total Expense Ratio ("TER"), which includes the funds' Annual Management Charge ("AMC") and Operating Costs and Expenses ("OCE").

Appendix 3

Tables illustrating the impact of charges and costs

The following tables show the potential impact of the costs and charges borne by typical members on projected values in today's money at several times up to retirement for a selection of funds and a range of contribution levels:

DC Section

3a The default arrangement

For a member currently aged 35 with a pot size of £100,000, their pot size would grow (allowing for assumed investment returns and contribution rates of 4.3% (employer) and 7.5% (employee) per year), as follows:

Years to retirement	Before Costs and Charges £	After Costs and Charges £
30	100,000	100,000
25	124,290	121,264
20	149,177	142,471
15	174,678	163,621
10	200,554	184,498
5	226,337	204,711
0	251,852	224,140

Source: Aviva, SSE Pensions Team, Hymans Robertson

For a member currently aged 47 with a pot size of £117,000, their pot size would grow (allowing for assumed investment returns and contribution rates of 4.3% (employer) and 7.5% (employee) per year), as follows:

Years to retirement	Before Costs and Charges £	After Costs and Charges £
18	117,000	117,000
15	132,105	130,087
10	157,579	151,677
5	183,090	172,696

0	208,471	193,021

Source: Aviva, SSE Pensions Team, Hymans Robertson

For a member currently aged 60 with a pot size of £98,000, their pot size would grow (allowing for assumed investment returns and contribution rates of 4.3% (employer) and 7.5% (employee) per year), as follows:

Years to retirement	Before Costs and Charges £	After Costs and Charges £
5	98,000	98,000
4	102,320	101,788
3	106,643	105,558
2	110,966	109,308
1	115,288	113,036
0	119,610	116,743

Source: Aviva, SSE Pensions Team, Hymans Robertson

3b For the self-select funds:

For a member currently aged 47 with a pot size of £35,000 for the BlackRock UK Equity Index Fund, £5,000 for the BlackRock World ex UK Equity Fund, £18,100 for the BlackRock Sterling Liquidity Fund and £50,200 for the BlackRock (30:70) ccy hedged Global Equity Fund, their pot size would grow (allowing for assumed investment returns and contribution rates of 4.3% (employer) and 7.5% (employee) per year), as follows:

Years to retirement	BlackRock UK Equity Index Fund (most popular fund)		BlackRock World ex UK Equity Fund (highest risk fund)		BlackRock Sterling Liquidity Fund (least expensive and lowest risk fund)		BlackRock (30:70) Currency Hedged Global Equity Index (most expensive fund)	
	Before Costs and Charges £	After Costs and Charges £	Before Costs and Charges £	After Costs and Charges £	Before Costs and Charges £	After Costs and Charges £	Before Costs and Charges £	After Costs and Charges £
18	35,000	35,000	5,000	5,000	18,100	18,100	50,200	50,200
15	50,140	49,330	18,803	18,642	29,963	29,638	66,017	65,050
12	65,954	64,018	33,222	32,700	41,144	40,363	82,538	80,309
10	76,886	74,015	43,189	42,310	48,240	47,090	93,960	90,714
5	105,648	99,739	69,412	67,196	64,802	62,541	124,008	117,565
0	136,577	126,546	97,610	93,363	79,811	76,222	156,320	145,659

Source: Aviva, SSE Pensions Team, Hymans Robertson

The assumptions used in these calculations were:

- The investment return allowing for inflation for each fund above was:

Fund	**Return % p.a.**
My Future Growth Fund	3.00
BlackRock UK Equity Index	4.00
BlackRock World ex UK Equity Fund	4.00
My Future Consolidation Fund	2.80
BlackRock Sterling Liquidity Fund	0.50
BlackRock (30:70) ccy hedged Global Equity Fund	4.00

- The rate of increase in costs and charges is 2.5% p.a;

Please note that these illustrated values:

- Are estimates using assumed rates of future investment returns and inflation which may not be borne out in practice;
- The assumptions used may be differ in the future to reflect changes in regulatory requirements or investment conditions;
- Will be affected by future, and as yet unknown, changes to the Scheme's investment options;
- Are not guaranteed;
- Depend upon how far members in the default lifestyle option are from retirement as the funds used change over time;
- May not prove to be a good indication of how your own savings might grow;
- Comply with the Technical Actuarial Standards (TAS) 100: Principles for Technical Actuarial Work.

3c For the AVC fund:

For a member currently aged 47 with a pot size of £16,700 for the BlackRock UK Equity Index Fund, their pot size would grow (allowing for assumed investment returns and contribution rates of 4.3% (employer) and 7.5% (employee) per year), as follows:

Years to retirement	BlackRock UK Equity Index Fund	
	Before costs and charges	After costs and charges
18	16,700	16,700
15	32,454	32,309
12	48,910	48,520
10	60,286	59,672
5	90,215	88,813
0	122,398	119,848

Source: Aviva, SSE Pensions Team, Hymans Robertson

The assumptions used in these calculations were:

- The opening AVC pot size is £16,700 which was the average pot size for GAVC members at 31st March 2021;
- The investment return allowing for inflation for each fund above was:

Fund	**Return % p.a.**
BlackRock UK Equity Index	4.00
BlackRock Sterling Liquidity Fund	0.50

- The rate of increase in costs and charges is 2.5% p.a.

Please note that these illustrated values:

- Are estimates using assumed rates of future investment returns and inflation which may not be borne out in practice;
- The assumptions used may be differ in the future to reflect changes in regulatory requirements or investment conditions;
- Will be affected by future, and as yet unknown, changes to the Scheme's investment options;

- Are not guaranteed;
- Depend upon how far members in the default lifestyle option are from retirement as the funds used change over time;
- May not prove to be a good indication of how your own savings might grow;
- Comply with the Technical Actuarial Standards (TAS) 100: Principles for Technical Actuarial Work.

Appendix 4

Performance

This appendix shows the annual return, after the deduction of member borne charges and transaction costs, for all investment options that members are able, or were previously able, to select and in which members were invested during the scheme year.

For the arrangements where returns vary with age, such as for the default strategy, returns are shown various periods for a member aged 25, 45 and 55 at the start of the period the returns are shown below.

These net returns make an approximate allowance for the basis on which Aviva collects its charges specific to our Scheme.

When looking at these figures it should be borne in mind that major stock markets rose by 10.9% (FTSE All World over the year to 31 March 2022) over the same period.

DC Section

Default Arrangements:

The investment performance of the funds used in the default arrangement during periods to 31 March 2021 net of all costs and charges expressed as an annual geometric compound percentage were:

Lifestyle Arrangement	Age of member at the start of the period	1 year (% p.a.)	5 years (% p.a.)
SGN 5 Year Lifecycle	55	11.82%	6.02%
My Future Consolidation	25	11.49%	8.35%
	45	11.49%	8.35%
	55	8.28%	6.47%

Source: Aviva, 31 March 2022

Self-select funds

The investment performance of the funds used in the lifestyle options outside the default arrangement during periods up to 31 March 2021 net of all costs and charges expressed as an annual geometric compound percentage were:

Fund	1 year	5 years
My Future Growth Fund	11.49%	8.35%
My Future Consolidation Fund	1.77%	2.64%
My Future Cash Lump Sum	-2.66%	0.06%
My Future Drawdown	6.66%	6.01%
My Future Annuity	-7.21%	0.74%
Schroder Life Intermediated Diversified Growth	2.64%	3.95%
Aviva Pension Property FP	17.27%	5.65%
BlackRock 5Y+ Index Linked Gilt Index	3.39%	2.78%
BlackRock Over 15 Year Gilt Index	-8.30%	0.50%
BlackRock European Equity Index	5.97%	6.65%
BlackRock Corporate Bond Index All Stock	-5.55%	1.27%
BlackRock World (Ex-UK) Eq Index	15.93%	11.71%
BlackRock (30:70) Currency Hedged Global Equities	10.80%	8.84%
BlackRock UK Equity Index	12.60%	4.38%
BlackRock Cash	-0.26%	0.03%
BlackRock Emerging Markets Index	-8.43%	4.25%
Legal & General (PMC) Ethical Global Equity Index	18.54%	12.38%

Source: Aviva, 31 March 2022

Additional Voluntary Contributions for members in the defined benefit section

Fund	1 year	5 years
BlackRock 5Y+ Index Linked Gilt Index	3.86%	3.25%
BlackRock Corporate Bond Index All Stock	-5.12%	1.73%
BlackRock UK Equity Index	13.11%	4.85%
BlackRock (30:70) Currency Hedged Global Equities	11.34%	9.38%
LGIM Diversified Fund	6.39%	5.82%
BlackRock Cash	0.19%	0.49%

Source: Aviva, 31 March 2022