THE TOLENT PENSION SCHEME

TRUSTEES' ANNUAL REPORT

YEAR ENDED 31 MARCH 2022

SCHEME REGISTRATION NUMBER:
10160412

THE TOLENT PENSION SCHEME

YEAR ENDED 31 MARCH 2022

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THE TOLENT PENSION SCHEMETRUSTEES AND ADVISERS

YEAR ENDED 31 MARCH 2022

Principal Employer	Tolent Construction Limited Ravensworth House 5th Avenue Business Park Team Valley Gateshead Tyne & Wear NE11 0HF
Other Participating Employer	Tolent Solutions Limited
Trustees	M D Overton (appointed 4 April 2022) A D Clark (resigned 4 April 2022) P W Webster A Jacques (member nominated) J M Hodgson (member nominated)
Pension Consultants	MHM Pension Services Ltd Windsor House Cornwall Road Harrogate North Yorkshire HG1 2PW
Administration/Investment Manager	Aviva Life & Pensions UK Limited PO Box 1550 Salisbury SP1 2TW
Auditors	BHP LLP 2 Rutland Park Sheffield S10 2PD
Bankers	National Westminster Bank plc PO Box 48 26 Market Hill Barnsley South Yorkshire S70 2QU

Legal Advisers	Neon Legal Riverside Studios Amethyst Road Newcastle Business Park Newcastle upon Tyne NE4 7YL
Life Assurance Company	Unum Limited Milton Court Dorking Surrey RH4 3LZ
Investment Advisers	Barker Tatham Investment Consultants Ltd 12-16 Addiscombe Road Croydon CR0 0XT

THE TOLENT PENSION SCHEME

TRUSTEES' ANNUAL REPORT

YEAR ENDED 31 MARCH 2022

The Trustees of The Tolent Pension Scheme (the Scheme) are pleased to present their report together with the Auditor's Statement on Contributions for the year ended 31 March 2022.

Constitution of the Scheme

The Scheme provides pension and lump sum benefits payable to members on their retirement or to their dependents on death before retirement. When a member dies after retirement, the benefits payable (if any) will depend on the benefit option chosen by the member at the time of retirement.

The Scheme, which is legally and financially separate from the employer, is constituted by a Declaration of Trust dated 1 April 1985 and is administered by the Trustees in accordance with the Rules which were updated and replaced on 10 January 2018. The Scheme is an earmarked defined contribution scheme, which means that the benefits under it are determined by the level of contributions paid by and in respect of each member. The Scheme is a Registered Pension Scheme under the Finance Act 2004. To the Trustees' knowledge there is no reason why such registration should be prejudiced or withdrawn.

Prior to 1 April 1997 certain members were contracted out of the earnings-related part of the state scheme. The contracting out certificate was surrendered with effect from 31 March 1997.

With effect from 1 April 2013, active members of the Scheme were given the option of paying their personal contributions by Salary Exchange (also known as Salary Sacrifice). This option was introduced in order to allow members to take advantage of savings in National Insurance Contributions (NIC). In addition, the Company agreed to use the savings in Employer NIC to boost members' personal contributions by 10% (i.e. 5% contributions would become 5.5%). Employer contributions continue to be paid in addition.

This option is available at the member's request and subject to receiving appropriate application, in writing. Therefore, it will only impact members who make a positive decision to take advantage of the Salary Exchange option. Under Salary Exchange, the amount of salary exchanged becomes an Employer pension contribution, which is reflected in the contributions summary on page 7.

Management of the Scheme

The Trustees named on page 2 are appointed and can be removed by the principal employer. Two of the Trustees are nominated by the members.

The Trustees usually meet at least twice a year to discuss the affairs of the Scheme and to deal with any discretionary matters.

In addition to preparing this annual report the Trustees are required to prepare an annual Chair's Statement which provides more information about the management of the Scheme and is signed by the Chair of Trustees.

A copy of the latest Chair's Statement is included at page 8 together with a copy of the latest Statement of Investment Principles. The Chair's Statement and other documents relevant to the Scheme can also be viewed online at: https://vfm.aviva.co.uk/tolent-pension-F56612/.

Statement of Trustees' Responsibilities

Trustees' responsibilities in respect of contributions

The Trustees are responsible under pensions legislation for preparing, maintaining and from time to time reviewing and, if necessary revising, a payment schedule showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dateson or before which such contributions are to be paid.

The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the payment schedule.

Where breaches of the schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

A payment schedule was agreed between the Principal Employer and the Trustees and signed on 8 June 2015.

Membership Details

At 31 March 2022 there were 250 (2021: 273) active members and 260 (2021: 223) deferred members. In addition, there were 16 (2021: 13) members covered for life assurance benefits only. Where required, pension benefits on retirement may be secured by an annuity policy in the member's own name. Income from the annuity is paid direct to the member and so pensioners are no longer considered to be Scheme members after they have retired.

Insured Benefits

Life assurance benefits, payable when an active member dies in service, are insured under a separate insurance contract maintained by the Trustees and paid for by the Employer. Until 8 April 2020, the benefits were insured by Aviva. From 9 April 2020, the insurance was moved to another insurance company, Unum Limited, who were able to cover the same benefits at a much more competitive premium.

The change of insurance company does not affect the benefits provided to members in any way.

Investment Management

The Trustees are of the view that their investment policy would be best satisfied through investment in an insurance policy with an insurance company that specialises in the provision of occupational pension scheme services to the trustees of smaller and medium sized schemes. This is because such a policy is felt to be the best way the Trustees can diversify through a wide enough range of asset classes in a cost-effective way, while having access to expert investment management and ensuring the security, quality, liquidity and profitability of the portfolio as a whole. The Trustees have currently chosen Aviva Life & Pensions UK Limited ('Aviva') ('the Insurance Company') for this purpose.

The Insurance Company offers a policy with a choice of unit-linked pooled funds that the Trustees believe satisfies the risk and return combinations suitable for members. In agreeing to the range of funds, the Trustees have recognised the risk that investment returns may not keep pace with inflation and the risk that market values may reduce for those members close to retirement. The Trustees are satisfied that the spread of assets by type within each pooled fund, and the policy of each pooled fund on investing in individual securities within each type, provides sufficient diversification of investments.

There is an annual management charge (AMC) on each fund, which is borne by the members. Many funds incur a standard AMC of 0.40% although some funds have a higher AMC.

Signed on behalf of the Trustees of The Tolent Pension Scheme.

M Overton
M Overton (Oct 26, 2022 17:07 GMT+1)
Trustee

Jason Hodgson
Jason Hodgson (Oct 27, 2022 05:55 GMT+1)
Trustee

Date Oct 26, 2022

THE TOLENT PENSION SCHEME

INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEES OF THE TOLENT PENSION SCHEME

We have examined the summary of contributions to The Tolent Pension Scheme for the scheme year ended 31 March 2022, which is set out on page 7.

Statement about contributions payable under the payment schedule
In our opinion contributions for the Scheme year ended 31 March 2022 as reported in the summary of contributions and payable under the payment schedule have in all material respects been paid at least in accordance with the payment schedule dated 8 June 2015.

Scope of work on statement about contributions
Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions set out on page 7 have in all material respects been paid at least in accordance with the payment schedule. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the payment schedule.

Respective responsibilities of Trustees and auditors
As explained more fully in the Trustees' Responsibilities Statement, the Scheme's Trustees are responsible for preparing, and from time to time reviewing and if necessary revising, a payment schedule and for monitoring whether contributions are made to the Scheme by the employer in accordance with the payment schedule.

It is our responsibility to provide a statement about contributions paid under the payment schedule and to report our opinion to you.

Use of our statement
This statement is made solely to the Trustees, as a body, in accordance with the Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996. Our audit work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustees as a body, for our work, for this statement or for the opinion we have formed.

BHP LLP
BHP LLP (Oct 27, 2022 15:32 GMT+1)

BHP LLP
2 Rutland Park
Sheffield
S10 2PD

Date: Oct 27, 2022

THE TOLENT PENSION SCHEME

SUMMARY OF CONTRIBUTIONS PAYABLE DURING THE YEAR ENDED 31 MARCH 2022

During the year, the contributions payable to the Scheme by the employer under the payment schedule were as follows:

	£
Employer normal contributions	1,694,841
Members normal contributions	247,564
Total contributions under the payment schedule	1,942,405

Signed on behalf of the Trustees of The Tolent Pension Scheme.

M Overton
M Overton (Oct 26, 2022 17:07 GMT+1)
Trustee

Jason Hodgson
Jason Hodgson (Oct 27, 2022 05:55 GMT+1)
Trustee

Date Oct 26, 2022

CHAIR'S ANNUAL STATEMENT

THE TOLENT PENSION SCHEME ("THE SCHEME")
SCHEME YEAR ENDED 31 MARCH 2022

INTRODUCTION

This annual statement explains how the Scheme operates to help members achieve a good outcome for their pension savings. The Scheme provides retirement and death benefits to current and former employees of Tolent Construction Limited and its associated/subsidiary companies ("the Company"), and to their dependants. The Scheme is a Qualifying Workplace Pension Scheme and is being used by the Company to meet part of its duties for the automatic enrolment of employees, which means that current and future new employees may be eligible to join the Scheme.

The Trustees of the Scheme are listed in the Annual Report to members. During the year to which this report relates, there were no changes to the Trustees but, shortly after the year end, on 4 April 2022, Andy Clark resigned and Mark Overton was appointed as Chair of Trustees.

Having considered the size, nature and demographic of the Scheme membership, and the extent to which member views are represented on the trustee board, the Trustees believe that the current trustee arrangements, with support from their appointed professional advisers, are suitable to ensure continued good governance of the Scheme and adequate representation of the interests of members.

Further information about the Scheme can be obtained by contacting the Trustees using the details shown below. A copy of this Chair's Statement, along with other important Scheme documents can be viewed at any time by visiting the following website: https://vfm.aviva.co.uk/tolent-pension-F56612

Trustee Knowledge and Understanding

The Trustees meet regularly with their advisers to ensure that they maintain appropriate knowledge of pension matters affecting the Scheme, which requires them:

- to be conversant with the Scheme's Rules and other procedures relating to the operation of the Scheme, and
- to have appropriate knowledge and understanding of the law relating to pensions, relevant tax legislation and principles relating to investments, so as to be able to exercise their functions as Trustees.

The Trustees' relevant knowledge and understanding is maintained during the normal course of business and, where appropriate, formal training is made available to the Trustees, who also have access to the Pensions Regulator's Trustee Toolkit for personal development.

Meetings with advisers have covered a broad range of topics over the last 12 months, including

general governance issues, investments, member engagement, benefit payments and retirement options. An increased awareness of the risk of pension scams was a key focus during 2021/22 and communications to members remind them to be vigilant.

Training requirements are considered at each trustee meeting and suitable training will be delivered, as and when required by the Trustees. Investment matters are considered at each meeting and, on 10 February 2022, the Trustees met to review the continued suitability of the current investment strategy, with input from investment specialists from Aviva and Barker Tatham Investment Consultants.

Taking account of the knowledge and experience of the Trustees, with support and advice from their professional advisers, the Trustees believe they are well placed to exercise their functions as Trustees properly and effectively.

Scheme advisers

In addition to services from the pension provider, Aviva, the Trustees receive support from their professional advisers to ensure the efficient and effective management of the Scheme. General advice, administration support and insurance broking are provided by MHM Pension Services. Investment consultancy is provided by Barker Tatham Investment Consultants, accounting services are provided by BHP LLP and legal advice is provided by Neon Legal.

From time to time, the Trustees may require further advice on specialist areas such as tax matters or personal financial planning and will engage the services of appropriate advisers as and when required.

Record keeping

Membership records are maintained by the Trustees, their advisers and by Aviva. Records are updated at least annually, when benefits statements are issued to all current members. Members are reminded annually to ensure that nominated beneficiaries for death benefits are correct and up to date, and to keep the Trustees informed of any change of address or personal circumstances.

The Trustees and their advisers work together to ensure that the Scheme is fully compliant with the data protection requirements (GDPR). A copy of the Privacy Notice can be viewed at https://vfm.aviva.co.uk/tolent-pension-F56612

Investment strategy

The Trustees are responsible for the Scheme's investment governance, including the setting and monitoring of the strategy for the Scheme's Default fund (see below). A formal review of performance and continued suitability is usually carried out at last every 3 years (or immediately following any significant change in investment policy or in the Scheme's membership profile).

All assets held on behalf of members are invested in an insurance contract issued by Aviva (formerly Friends Life). The contract provides access to a range of investment funds, which members may choose to invest in, with the option to change funds or introduce new funds as and when required.

For members who do not wish to make their own investment decisions, the Trustees have designated a default investment option – the BlackRock (50:50) Global Equity Index Tracker Fund, including a 5-year lifestyle strategy, which reduces the exposure to higher risk assets as each member approaches the Scheme's Normal Retirement Age (currently age 65).

The Trustees previously decided that an annual meeting, dedicated to investments, should be held in the first quarter of each year. The first of such meetings was held on 10 February 2022, when the Trustees and their investment advisers considered the continued suitability of the current investment strategy. The meeting concluded that the current default investment option and the range of additional funds continued to be appropriate for the Scheme and its members. It was also agreed that a number of funds that were in use by just a few Scheme members should be wound down and withdrawn from the Scheme gradually, with the affected members being informed at the time.

Details of the investment funds available to members and are provided in a guide on the Scheme's website, which can be found at: https://vfm.aviva.co.uk/tolent-pension-F56612

Default investment fund

Following advice from Barker Tatham in 2019, the Trustees adopted a new default fund for the Scheme in place of the Multi-Asset Growth Fund. The new default fund has applied to all new members of the Scheme after 1 November 2019, with all other members having been invited to switch to the new default option, if required.

The BlackRock (50:50) Global Equity Index Tracker Fund (the new default fund) invests primarily in equities in both the UK and overseas markets. The fund has approximately 50% invested in the shares of UK companies. The remaining 50% is invested in overseas companies. The fund aims to provide returns consistent with the markets in which it invests and provides broad exposure to countries around the world.

The benchmark for the new default fund is a composite mix of 50% FTSE Custom All-Share Midday Net Tax, 17% FTSE Custom USA Midday Net Tax, 17% FTSE Custom Developed Europe ex UK Midday Net Tax, 8% FTSE Custom Japan Midday Net Tax and 8% FTSE Custom Developed Asia Pacific ex Japan Midday Net Tax.

The benchmark for the previous default fund, the Multi-Asset Growth Fund, is based on the Sector Average for funds in the Association of British Insurers (ABI) "Pension Fund Mixed Investment 40-85% Shares" category. The fund aims to provide exposure to a diversified portfolio of assets in order to generate capital growth and income. The fund will mainly be invested in equities and bonds, but may also invest in warrants, convertibles, money market instruments, short-term bonds, commodities, private equity, hedge funds, other alternative asset classes and direct property.

After taking advice from the Investment Consultant, Barker Tatham, the Trustees' choice for the new default fund was made on the basis of it being an appropriate long-term investment option for the majority of Scheme members who are at least 5 years from their intended retirement date. During the last 5 years of membership (i.e. between ages 60 and 65 for most members), the lifestyle programme is designed to gradually reduce the exposure to investment risk for each member, aligning assets to reflect the anticipated cash and income benefits in retirement.

For periods ended 31 March 2022, the cumulative performance of the old and new default investment funds and a comparison with their benchmarks is shown in the table below:

	1 year	3 years	5 years	10 years
BlackRock (50:50) Global Equity Index	**10.91**	**29.31**	**38.15**	**135.57**
Benchmark	11.45	30.44	42.28	149.52
Multi-Asset Growth Fund	**5.96**	**24.48**	**31.71**	**104.46**
Benchmark/Sector Average	4.99	20.99	27.33	90.86

For both funds, the performance figures are net of the 0.4% annual management charge (AMC). The additional annual expenses incurred in the funds are reported by Aviva as being 0.0%).

It is recognised by Aviva that the benchmark for the BlackRock (50:50) Global Equity Index fund is not an ideal match for the fund's performance for two reasons. Firstly, the benchmark makes no allowance for charges while the fund's performance is shown net of charges, as mentioned above. Secondly, pricing for the fund is calculated at midday, but the benchmark uses end of day. The fund also uses historic pricing for the previous day, which means performance over a quarter (or other time period) is out by 2 days – for example, the benchmark returns for the first quarter of 2022 would be based on performance from 31 December 2021 to 31 March 2022, whilst the fund's performance would be based on returns from 30 December 2021 to 30 March 2022.

Although the returns of the new default fund relative to benchmark may look disappointing, the fund has delivered returns in line with its objectives and within an acceptable tracking error, with the impact of fund charges accounting for the majority of the difference between the fund's performance and its benchmark.

The Multi-Asset Growth Fund is still used by a number of members and its performance continues to be ahead of its benchmark. In this case, the benchmark includes an allowance for charges, so is directly comparable with the fund.

Lifestyle Investment Programmes

On retirement, members generally have the option to receive part of their fund as a tax-free cash sum, with the balance being used to provide a regular income. The default investment option includes a 5 year lifestyle investment programme, which assumes that members will elect to receive up to 25% of their fund in cash on retirement, and with the balance being used to provide regular income through purchasing a guaranteed annuity policy.

The default lifestyle investment programme makes a series of automated investment switches during the last 5 years of membership, resulting in the final allocation at the member's Normal Retirement Date being 25% invested in Cash and 75% invested in Aviva's Pre-Retirement Fixed Interest fund, which invests predominantly in a range of Gilts and Corporate Bonds.

For periods ended 31 March 2022, the cumulative performance figures for the Cash and Pre-Retirement funds were:

	1 year (%)	3 years (%)	5 years (%)	10 years (%)
Cash fund	**-0.23**	**-0.15**	**-0.22**	**-3.11**
Benchmark[1]	0.14	0.88	1.82	3.94
Pre-Retirement fund	**-6.54**	**0.02**	**5.63**	**49.21**
Benchmark[2]	-7.87	-1.30	4.49	56.03

1. Benchmark for the Cash fund is Sterling Overnight Index Average (SONIA)
2. The benchmark for the Pre-Retirement fund is a composite mix of 35% FTSE UK Gilts 15-25yrs, 15% FTSE UK Gilts 25yrs +, 10% iBoxx Sterling Non-Gilts 1-5yrs, 35% iBoxx Sterling Non-Gilts 5-15yrs and 5% iBoxx Sterling Non-Gilts 15yrs+.

Figures shown in the table are net of each fund's 0.4% annual management charge (0.0% additional expenses).

Whilst some of the performance figures for these funds are below their respective benchmark, this is largely due to the impact of charges on the funds, which are not allowed for in the benchmark performance figures.

Two alternative lifestyle/lifetime investment programmes are available. Members can also choose their own investment funds from the Preferred Funds list if they do not wish to use a lifestyle/lifetime programme.

Charges and transaction costs (member-borne charges)

The Trustees are required to set out the ongoing charges that may apply to members, which are the annual fund management charges plus any additional fund expenses, such as custodian fees, but excluding any transaction costs. The combined costs and charges are often referred to as the Total Expense Ratio or "TER", which is the charge paid by members and is reflected in the unit price of each fund.

Aviva's annual management charges (AMC) are agreed with the Trustees, reflecting the size of the membership, contributions payable and the total value of funds under management. The Trustees review the charges along with fund performance details at least annually. The last formal review was concluded on 22 August 2022, following the Trustees' assessment of the extent to which the Scheme represents "value for members", which is explained later.

The AMC applying to many of the funds available in the Scheme is 0.4% per annum. The charge is deducted from the value of investments in each fund, pro-rata to the value of each member's retirement account. All other costs of managing the Scheme are met by the Company.

Some of the investment funds have a higher AMC, but all reflect a discount on Aviva's standard terms, negotiated by the Trustees. The lowest AMC on any individual fund is 0.4% (0.00% additional expenses) and the highest AMC is 1.15% (0.17% additional expenses). Details of the charges on all available funds are published in the brochure entitled "Choosing your own investment funds", a copy of which is available to members, on request.

In addition to providing details of the recurring charges mentioned above, the Trustees are also required to disclose details of any transaction charges that may be borne by the members. Further details of the charges and transaction costs for a selection of representative funds under the Scheme are included in Appendix 2 and a summary of the actual charges paid by each member is provided in the annual benefit statements prepared by Aviva and issued to members by the Trustees as at 31 March each year.

Core financial transactions

During the year, the Trustees have relied on a combination of services from the Company, MHM Pension Services, and Aviva to ensure that the core financial transactions of the Scheme are processed promptly and accurately. The Chair of Trustees and Scheme Secretary are in regular contact with MHM Pension Services, who monitor Aviva's performance and ensure transactions are processed effectively by maintaining a list of "work in progress" items, with timescales for completion or next steps recorded and followed up with Aviva when due.

Aviva also produce a six-monthly Governance Report for the Scheme, covering areas including the membership profile, contribution payments, investment funds, forthcoming retirements and the use of online member services. MHM Pension Services carries out a detailed review of each report on behalf of the Trustees.

In the normal course of events, core financial transactions may include some or all of:

- Payment and investment of contributions each month
- Investment switches between funds, as and when requested by members
- Transfer of assets into the Scheme, where requested by a member
- Transfer of assets out of the Scheme, where requested by a member
- Benefit payments from the Scheme in the event of a member's retirement or death

Member contributions are collected through payroll and paid to the Trustees' bank account each month. Details are then submitted to Aviva by MHM Pension Services and the total amount of employer and member contributions are collected by Aviva and allocated to each member's individual retirement account by no later than the 19th of the month following deduction from pay. During the year to 31 March 2022, all contributions were paid correctly and on time.

When requested by a member, investment switches (and/or redirection of future contributions) are submitted to Aviva on behalf of the Trustees by MHM Pension Services. Aviva then process all investment changes within 3 working days of the instruction being submitted. Confirmation is then issued to the Trustees and to the member concerned.

Transfer payments and other settlements out of the Scheme are made by Aviva, direct to the receiving pension provider (for transfers) or to the member or their beneficiaries, as appropriate.

During the year to which this statement relates, in addition to the payment of monthly contributions to the Scheme, the following transactions were recorded:

- 9 transfers received from another scheme/policy
- 25 transfers paid to another scheme/policy
- 6 settlements of retirement benefits to members
- 1 settlement of lump sum death benefits
- 0 refund of contributions to members who left employment or opted out of the Scheme
- 0 pension sharing on divorce (paid out)

The Trustees are pleased to report that all transactions during the year were settled without undue delay.

Value for members assessment

For the year ended 31 March 2022, the Trustees were required to carry out a detailed assessment of the extent to which they believe that the Scheme represents value for its members. Although this has been considered in previous years, the provisions of the Occupational Pension Schemes (Administration, Investment, Charges and Governance) Regulations 2021 now require a direct comparison of the Scheme against other, larger schemes on a range of different criteria.

The Trustees carried out the review between June and August 2022, supported by MHM Pension Services. Three comparator schemes were selected, with measures being made in relation to member-borne costs and charges, the performance, net of charges, of the default and other investment funds and general governance and administration services, including the knowledge and experience of the Trustees, investment governance and the efficiency and effectiveness of member communications and support services.

Comparator schemes:

Each of the chosen comparator schemes had assets in excess of £100 million and they each confirmed that they would be willing and able to admit the Company as a participating employer for future contributions, with the option to transfer assets for current members, if that is what the Trustees decided to do. It was encouraging to discover that the three schemes were not only willing to accept Tolent as a new employer, but they were extremely keen to attract our membership and offered competitive terms and support to try and achieve this. The three schemes were:

- **The Aviva Master Trust** – an authorised master trust from one of the UK's best known and well-respected pension providers.
- **The People's Pension** – One of the UK's largest auto-enrolment pension schemes, operated on a not-for-profit basis by B&CE and currently supporting more than five million members.
- **Royal London Group Personal Pension (GPP)** – a contract-based pension solution offered by another of the UK's leading pension providers and one of the few remaining "mutual" insurance companies.

Choosing a pension provider:

There are many different pension providers offering workplace pension schemes to UK employers. To assist our decision on whether the three schemes we were comparing could operate to a high standard, we considered the results of the Corporate Adviser Provider Service Ratings 2021, which obtained feedback from professional pension advisers on their experience of working with pension providers, with each being awarded a star rating based on an overall score across a range of measures important to pension scheme advisers.

Aviva achieved an overall score of 74.8 out of 100, which earned them a 4-star rating. A score of 75.0 would have earned a 5-star rating. General feedback on Aviva was very positive in all areas.

Royal London was the only pension provider to receive a 5-star rating with an overall score of 78.0 out of 100 and feedback from advisers recognising excellent service standards across all areas.

The People's Pension and B&CE achieved an overall score of 68.1 out of 100, resulting in a 3-star rating, but narrowly missing out on a 4-star rating, which required a score of 70.0. Most feedback on the Scheme was generally positive, recognising that the scheme was designed specifically for the auto-enrolment market and was available to employers of all sizes.

When rating the service standards from each company, the survey also considers the level of communications and support available to members. The three pension providers all offer online tools and calculators to support members with decisions in relation to their retirement planning, and a more bespoke service is available from Aviva and Royal London, which includes a dedicated point of contact and support material, including videos and webinars aimed at members at various stages of their career, including pre-retirement planning.

In summary, the Trustees concluded that all three schemes would be able to deliver an acceptable level of support for the Scheme and its members, but Royal London and Aviva stood out as two of the most highly-rated service providers.

Contract charges:

As with the current Scheme, each of the comparator schemes tended to offer a charging structure based on a standard annual management charge (AMC) deducted from members' funds. For the current Scheme, the standard AMC on most investment funds, including the default strategy is 0.4%, which the Trustees believed to be competitive for a scheme of this size, noting that it was significantly below the 0,75% charge cap that applied to qualifying workplace pension schemes.

The only scheme that operated a slightly different charging structure was The People's Pension, which operated a tiered AMC based on the value of each member's account (with lower charges on larger funds) and a fixed annual fee of £2.50 per member. Given the typical fund value and average contributions for members of the Scheme, the fixed charge was deemed to be relatively insignificant, but could not be ignored completely.

For the avoidance of doubt, neither the current Scheme nor any of the comparator schemes allow for any commission payments to advisers in the charges deducted from members' funds. Adviser costs for services in support of the Scheme are paid by the Company and such charges are excluded from any cost comparison referred to below. Also, the charging structures do not differentiate between active and deferred members i.e. there is no use of what is known as "active member discount", where active members benefit from lower charges than deferred members. The law bans such practice in workplace pension schemes, and this has never been a feature of the Scheme.

A summary of each scheme's proposed charges is included in the following table:

Scheme/Pension Provider	AMC (%)		Notes
	Default	Other	
Current scheme	0.40	c.82 funds with AMC from 0.40 to 1.32	Core funds carry a standard AMC of 0.4%, with some funds carrying higher charges and additional expenses applicable to some funds.
Aviva Master Trust	0.33 / 0.39	c.36 funds with AMC from 0.33 to 1.17	Lower AMC applies to passive default and higher charge for active (My Future Focus) default option. Other funds carry higher charges and additional expenses.
The People's Pension	To £3k = 0.50 £3-10k = 0.40 £10-25k = 0.30 £25-50k = 0.25 £50k+ = 0.20	Same charges apply to all 8 funds	Only 8 investment funds available. AMC applies to each tier of a member's fund. £2.50pa charge per member, deducted from member's account in October each year.
Royal London GPP	0.24	c.160 funds with AMC from 0.24 to 2.14	Terms apply to active members only. Profit share has been available for the last 6 years, adding back between 0.15 and 0.18% of fund value.

During discussions with Aviva, they indicated that the lower charges offered for the master trust would also be available to the current Scheme, if the Trustees decided that was their preferred option.

The charges proposed by Royal London were for active members only, as the GPP contract could not accept transfers for deferred members. A potential solution for deferred members could see them transfer to Royal London, but the proposed charges were slightly higher than those on the current Scheme and this option was dismissed by the Trustees.

The People's Pension's charging structure represents particularly good value for members with higher fund values, but the limited range of investment options was a concern for the Trustees.

Default fund and investment options:

The designated default investment approaches from the comparator schemes were all very similar, using what might generally be termed a "Balanced Lifestyle Approach". There were some differences in the make-up of the growth funds, usually a multi-asset fund to achieve diversification, and further differences in the length of the de-risking phase before retirement, with all three comparator schemes phasing into lower risk funds over a longer period than the 5 year lifestyle approach currently adopted by the Scheme.

Each scheme's default strategy and additional fund range is summarised below:

Scheme	Default strategy	Other investment options
Aviva Master Trust	My Future (passive) or My Future Focus (active) drawdown. Multi-asset growth phase until 10 years (active) or 15 years (passive) before retirement, when moves to Consolidation Pre-retirement fund.	A range of c.36 risk-based funds from Aviva and selected other investment managers. Also includes alternative lifetime/lifestyle strategies for those who want a structured programme.
The People's Pension	Balanced investment profile uses the B&CE Global Investment fund until 15 years before the selected retirement date, when it gradually introduces the Pre-retirement fund, achieving 100% by retirement date.	8 individual funds are available, including 3 multi-asset funds with different equity weightings. There are also two alternative investment profiles – adventurous and cautious – similar to the default option.
Royal London GPP	Balanced lifestyle strategy, targeting drawdown. Equity exposure is reduced over the 15 years before retirement, using a range of risk-based "governed portfolios).	There are 40 funds from Royal London plus a further 120 options from external fund managers, offering a wide choice of risk based funds and lifestyle profiles.

Although the approach of each scheme's default was broadly similar to the current approach for the Scheme's default option, it was interesting to note the use of multi-asset funds during the growth phase compared to the Scheme's global equity fund, and the longer period of phasing during the pre-retirement period.

Default fund performance comparison:

Performance, net of charges, was compared for each of the pension provider's default funds, including both the growth and pre-retirement/consolidation phases.

Aviva was able to provide performance data up to 10 years for the Scheme, but only 5 years for the master trust, as the proposed funds had not yet been in place for 10 years. Figures over 3, 5 and 10 years represent cumulative growth.

Royal London and The People's Pension were also unable to provide 10 year performance data. Their figures for periods over 1 year represent annualised returns.

THE TOLENT PENSION SCHEME (CURRENT)	To 30.06.2022	1 Year	3 Years	5 Years	10 years
BlackRock (50:50) Global Equity Index	**Fund**	**-3.37**	**13.06**	**24.55**	**128.28**
	Benchmark	*-2.38*	*14.32*	*28.69*	*139.38*
Pre-retirement Fixed Interest	**Fund**	**-18.41**	**-12.51**	**-5.43**	**23.85**
	Benchmark	*-23.03*	*-17.36*	*-9.43*	*26.53*
Cash	**Fund**	**0.01**	**-0.10**	**0.08**	**-2.87**
	Benchmark	*0.35*	*0.92*	*1.99*	*4.04*

Note 1: Figures shown are net of representative charges (0.40%pa plus additional expenses of 0.0%pa)

Note 2: For periods longer than 1 year, figures represent cumulative growth for the period.

AVIVA MASTER TRUST	To 30.06.2022	1 Year	3 Years	5 Years	10 years
My Future Growth (passive)	**Fund**	**-4.38**	**20.53**	**34.57**	**n/a**
	Benchmark	*4.42*	*13.71*	*24.36*	*54.79*
My Future Consolidation (passive)	**Fund**	**-6.00**	**3.26**	**7.59**	**n/a**
	Benchmark	*2.41*	*7.26*	*12.85*	*27.46*
My Future Focus Growth (active)	**Fund**	**-3.34**	**9.86**	**21.99**	**n/a**
	Benchmark	*4.42*	*13.71*	*24.36*	*54.79*
My Future Focus Consolidation (active)	**Fund**	**-5.37**	**0.28**	**5.46**	**n/a**
	Benchmark	*2.41*	*7.26*	*12.85*	*27.46*

Note 1: "My Future" figures are net of representative charges of 0.40%pa plus additional expenses of 0.0%pa

Note 2: "My Future Focus" figures are net of representative charges of 0.5%pa plus additional expenses of 0.0%pa (0.01%pa for My Future Focus Consolidation)

Note 3: For periods longer than 1 year, figures represent cumulative growth for the period.

Note 4: My Future and My Future Focus funds do not yet have 10 year performance data

ROYAL LONDON GPP	To 30.06.2022	1 Year	3 Yrs (pa)	5 Yrs (pa)	10 Yrs (pa)
Governed Portfolio 4	**Fund**	**1.66**	**5.29**	**5.73**	**n/a**
	Benchmark	*1.00*	*4.67*	*5.28*	*n/a*
Governed Portfolio 5 (Drawdown)	**Fund**	**-0.30**	**4.18**	**4.92**	**n/a**
	Benchmark	*-1.02*	*3.60*	*4.43*	*n/a*
Governed Portfolio 6 (Drawdown)	**Fund**	**-2.54**	**2.51**	**3.55**	**n/a**
	Benchmark	*-3.49*	*1.84*	*2.96*	*n/a*
Governed Retirement Income Portfolio 3	**Fund**	**-1.72**	**2.84**	**3.60**	**n/a**
	Benchmark	*-3.24*	*1.93*	*2.74*	*n/a*

Note 1: All figures, including benchmarks, are net of proposed charge of 0.24%pa

Note 2: For periods longer than 1 year, figures show compound annualised growth rates

Note 3: 10 year performance figures were not provided and may not yet be available

THE PEOPLE'S PENSION	To 30.06.2022	1 Year (%)	3 Yrs (%pa)	5 Yrs (%pa)	10 Yrs (%pa)
Global Investments (up to 85% shares) Fund	**Fund**	**-8.29**	**3.25**	**4.48**	**n/a**
	Benchmark	*n/a*	*n/a*	*n/a*	*n/a*
Pre-retirement Fund	**Fund**	**-8.28**	**-0.34**	**1.10**	**n/a**
	Benchmark	*n/a*	*n/a*	*n/a*	*n/a*

Note 1: Figures shown are net of TPP's standard charges

Note 2: For periods longer than 1 year, figures shown are annualised growth rates

Note 3: 10 year performance figures were not provided and may not yet be available

Note 4: No benchmark figures were provided in the initial communications

All figures represent performance for periods ended 30 June 2022.

In considering the net performance data, it was noted that the Scheme's current default growth fund, the BlackRock (50:50) Global Equity Index fund appeared to have underperformed some of the alternative growth funds, but not all of them. Short term volatility had been a concern during the first half of 2022, and this had had a major impact on returns from global equities. The Pre-retirement fund had also suffered from a significant increase in long-term yields during the first half of 2022, to the extent that 3 and 5 year returns were also negative.

For the Aviva Master Trust, the passive "My Future" funds had outperformed the active "My Future Focus" funds over 3 and 5 years. One year returns for the growth funds were broadly comparable to the BlackRock Global Equity fund, while 3 and 5 year returns from the passive funds outperformed BlackRock, with BlackRock outperforming the active growth fund.

The People's Pension's Global Investments (85% shares) fund had underperformed during the 12 months to 30 June 2022, which had also impacted the 3 and 5 year returns. The Pre-retirement fund had also suffered negative returns over 1 and 3 years, but not to the same extent as the Aviva Pre-retirement fund.

In summary, it was unfortunate not to have 10 year returns from the comparator schemes and a comparison of performance of funds over shorter periods showed mixed results and were deemed by the Trustees to be inconclusive as to whether one option was consistently better than another. One issue that was noted for further action was the short-term performance of Aviva's Pre-retirement Fixed Interest Fund, which had seen significant losses during 2022 following a rise in long-term gilt yields. As very few members are expected to buy annuities when they retire, it was agreed that alternative options should be considered for the default strategy's pre-retirement phase.

Conclusion of the Trustees:

Having completed their review of the Scheme and a comparison against the three larger schemes, the Trustees concluded that the Scheme continues to deliver value for its members. Furthermore, it was felt that there was no obvious advantage to be gained by moving to an alternative pension scheme.

During our research and discussions with Aviva when reviewing the Scheme, there were two areas identified where changes to the Scheme might be considered to deliver even better value for members. These were:

1. Aviva indicated that the slightly lower charges they were willing to offer under the Aviva Master Trust could also be offered to the Scheme, should the Trustees wish to continue with the current Scheme. This has subsequently been confirmed by Aviva and the Trustees will now work with Aviva to agree how and when to implement the reduced management charges, delivering even greater value for members.

2. Although the Trustees were generally satisfied with the performance of the default investment approach, the approach was based on a slightly outdated assumption that members would use part of their fund to purchase an annuity on retirement. Recent experience has shown that very few members actually choose the annuity option and, even with a significant increase in long-term interest rates during the first half of 2022, it was felt that drawdown was likely to continue to be the preferred option for members in future. The Trustees would, therefore, engage with their investment consultant to review the current investment approach and would look to introduce an alternative lifestyle/lifetime investment approach for the default strategy at the earliest opportunity.

When preparing this statement, the Trustees have taken account of statutory guidance from the DWP ("Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes").

Contact for further information

The Trustees of the Tolent Pension Scheme,
C/o Tolent Construction Limited,
5th Avenue Business Park, Team Valley,
Gateshead, NE11 0HF.

Telephone 0191 487 0505

Signed: M Overton
M Overton (Oct 26, 2022 17:07 GMT+1)

Date: Oct 26, 2022

Mark Overton, Chair of the Trustees of the Tolent Pension Scheme

APPENDIX 1

BIG THINKING
FOR SMALL SCHEMES

Statement of Investment Principles

The Tolent Pension Scheme
Defined Contribution

September 2019

Barker Tatham™
Pension Investments

1. Introduction

Under the Pensions Act 1995, as amended by the Pensions Act 2004, trustees are required to prepare and review regularly a Statement of Investment Principles, dealing with certain specific matters.

This Investment Statement sets out the principles governing decisions about the investment of the assets of The Tolent Pension Scheme ("the Scheme"), which is a Defined Contribution ("DC") scheme. Before preparing it, the Trustees obtained and considered written professional advice from Barker Tatham Investment Consultants Limited as their investment consultant. Prior to finalising this document, they also consulted with the sponsoring employer. Barker Tatham Investment Consultants Limited is licensed by the Institute and Faculty of Actuaries to provide investment advice.

The Trustees review this Statement on a regular basis and will also do so in response to any material changes to the investment arrangements of the Scheme. Formal reviews will be undertaken no less frequently than every 3 years. Any such review will again be based on written expert investment advice and will be in consultation with the Scheme's sponsoring employer, Tolent Construction Limited.

Signed for and on behalf of the Trustees of The Tolent Pension Scheme

Signed: ..... Date: 25/9/19

Signed for and on behalf of Tolent Construction Limited

Signed: ..... Date: 25/9/19

2. Governance Structure

The Trustees have ultimate responsibility for investment of the Scheme's assets. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take and which to delegate, the Trustees have taken into account whether they have the appropriate training and expertise in order to take an informed decision.

Trustees' role

The Trustees:

- set structures and processes for carrying out their role
- set investment structures and their implementation
- select and monitor investment advisors and fund managers
- take ongoing decisions relevant to the principles of the Scheme's investment strategy.

Each of the Trustees may also be in employment with the sponsoring employer and may also be a member of the Scheme. They do not receive any remuneration for their role of Trustee.

Barker Tatham, investment consultant, role

Barker Tatham:

- advises on all aspects of the investments of the Scheme's assets, including implementation
- advises on this Statement
- provides training
- advises the Trustees on the suitability of each fund's structure, composition and benchmark.

Work is charged for either by an agreed fee or on a time cost basis. In particular, the investment consultant does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of their advice. The Trustees believe that this is the most appropriate fee structure for the Scheme.

Aviva, fund provider and platform administrator, role

Aviva:

- operates within the terms of their agreement with the Trustees
- provides due diligence with regard to the selection of investment options available on the appropriate investment platform
- provides administration services

The fund provider and underlying fund managers used by the Trustees are authorised and regulated by the FCA. They are remunerated by ad valorem annual management charges (plus expenses), deducted from the value of the underlying investments in each fund.

Principles of Investment Governance and new duties for DC schemes

The Trustees are aware that adherence to the Principles for Investment Governance of Work Based DC Schemes is recommended and the Trustees and advisers work to ensure that the spirit of the Principles is implemented. These Principles are outlined in Section 4 of this Statement.

From April 2015, trustees of DC schemes had to meet new requirements on governance standards, charge controls and communicating about pension flexibilities.

These requirements include:

- meeting certain governance standards and explaining this in the annual Chair's Statement
- appointing a Chair of trustees who signs the annual statement
- meeting new charge controls for their default arrangements where the scheme is being used to comply with auto-enrolment duties
- Informing members about the increased range of options they have at retirement.

Under 2019 updates to the Investment Regulations, trustees of DB and DC schemes will have to update or prepare their SIP, before 1 October 2019, to set out their policies in relation to:

- "financially material considerations" over the "appropriate time horizon" of the investments including how those considerations are taken into account in the selection, retention and realisation of investments

- the extent (if at all) to which "non-financial matters" are taken into account in the selection, retention and realisation of investments

- undertaking engagement activities in respect of investments (stewardship)

In addition to the SIP requirements above, trustees of DC schemes will be required to publish their SIP on a publicly available website and inform scheme members of its availability in their annual benefit statement. DC schemes with 100 or more members are required to state a policy in relation to the stewardship of their scheme's investments in their default investment strategy.

Where appropriate, each of the above requirements are incorporated within this statement.

3. Trustees' Investment Objectives, Policy on Risk and Investment Beliefs

Trustees' investment objective

The Trustees recognise that members have differing investment needs and that these may change during the course of the members' working lives. The Trustees also recognise that members have different attitudes to risk. The Trustees believe that members should make their own investment decisions based on their individual circumstances and, therefore, see their duty as making available a range of suitable investment options, sufficient to allow members to tailor their own investments.

The Trustees also recognise that some members may not believe themselves able to make appropriate investment decisions and, as such, the Trustees make available a default option. The Trustees regularly review the suitability of the options provided and from time to time will change or introduce additional investment options, as they deem appropriate.

Trustees' policy with regard to risk

The Trustees are mindful of their responsibility to provide members with an appropriate range of investment funds. The Trustees recognise that, in a DC arrangement, members assume the investment risks themselves. The Trustees further recognise that members are exposed to different types of risk at different stages of their working lifetimes. Broadly speaking, the following types of risk can be identified:

- **Investment-Return Risk**
  This is the risk that the investment return over the members' working lives will not keep pace with inflation and does not provide adequate savings to meet members' retirement income needs.

- **Underperformance Risk**
  This is the risk that the investment vehicles in which monies are invested under-perform the expectations of the Trustees.

- **Annuity-Rate Risk**
  This is the risk that a member's ability to purchase an adequate annuity at retirement is compromised by rising annuity prices.

- **Drawdown risk**
  This is the risk that a member's invested pension fund can fluctuate according to what the market is doing.

- **Market Movement Risk**
  The risk that investment market movements in the period immediately prior to retirement leads to a substantial reduction in the level of members' retirement savings.

- **Lump-Sum Risk**
  When close to retirement, a member may still be fully invested in those asset classes (every type except Cash), which are subject to volatility in capital-value terms.

- **Market-Switching Risk**
  If there is to be switching between investment vehicles and it is performed wholesale, members may be unnecessarily exposed to the fluctuations in the markets on a particular day.

Underlying investment principles

The Trustees, having taken investment advice, have adopted the investment strategy based on the following underlying principles:

- long term growth on investment options that invest predominantly in equities and other growth seeking asset classes (e.g. diversified growth funds) will exceed price inflation and general salary growth

- the long-term returns on bonds and cash options will be lower than the largely equity invested options

- bond funds broadly match the price of annuities, and so investing in a bond fund is expected to provide some protection for the amount of projected pension that a member could expect to purchase at retirement

- cash funds provide protection against changes in short term capital values, and may be appropriate for members taking all, or part, of their retirement benefits in the form of a cash lump sum (although it is not guaranteed that these funds will not fall in value).

In choosing the Scheme's investment options, the Trustees have considered:

- a full range of asset classes, including alternative asset classes

- the suitability of each asset class within a defined contribution scheme

- the need for appropriate diversification and adequate liquidity.

The member options are invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid, as far as is reasonably possible, accumulations of risk in the individual member's portfolios as a whole.

Investment in derivatives is only made by the managers in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

4. Principles for Investment Governance

These principles were designed by an Investment Governance Group to provide a framework which can be used as a practical checklist to benchmark a scheme's investment governance processes against "best practice".

Principle 1: Clear roles and responsibilities

"Roles and responsibilities in relation to investment decision making and governance are clearly defined and communicated to interested parties."

- This lays foundations for the process of investment governance and advocates that schemes have defined and documented roles and responsibilities for each element of the governance chain. The Trustees have outlined these roles in Section 2.

Principle 2: Effective decision making

"Decisions relating to investment governance are taken on a fully informed basis and the investment governance processes are sound."

- The Trustees make investment decisions based on quality and timely information and/or advice provided by professionals that they believe to be best equipped to provide that information or advice.

Principle 3: Appropriate investment options

"The investment options provided take account of a range of member risk profiles and needs and are designed appropriately."

- The Trustees have formally reviewed their investment objectives and investment options with the assistance of their investment consultant.
- The Scheme offers an appropriate default option and a range of other investment options, given the expected risk tolerances and requirements of Scheme members.

Principle 4: Appropriate default strategy

"An appropriately designed investment strategy is offered for members who prefer not to make a choice."

- A relatively straightforward default strategy is set up that would cater for the majority of members, given the profile of the members.
- The default lifestyling arrangement currently in place specifically targets the purchase of an annuity at retirement together with a cash lump sum.

Principle 5: Effective performance assessment

"The performance of investment options is monitored."

- The Trustees currently:
  - Receive quarterly valuation reports from the fund provider (Aviva)
  - Meet at least twice a year, when they also review fund performance
  - Prepare an annual report to members, including annualised investment returns for a selection of funds and the Auditor's statement on contributions paid.

Principle 6: Clear and relevant communication to members

"Clear information on the investment options and their characteristics that will allow members to make informed choices is provided."

- Members are provided with annual benefit statements and have access to detailed investment reports in paper or electronic format, from Aviva.

- Communications are tailored to the expertise of the members, with information on how to seek further assistance, if required.

- A copy of this Statement of Investment Principles is available to members on request.

- A representative from the employer (who may also be a Trustee and/or a member of the Scheme) regularly attends Trustees' meetings and this helps communication with the employer over investment matters.

5. Strategy A: Targeting Annuities

This is the **default option**

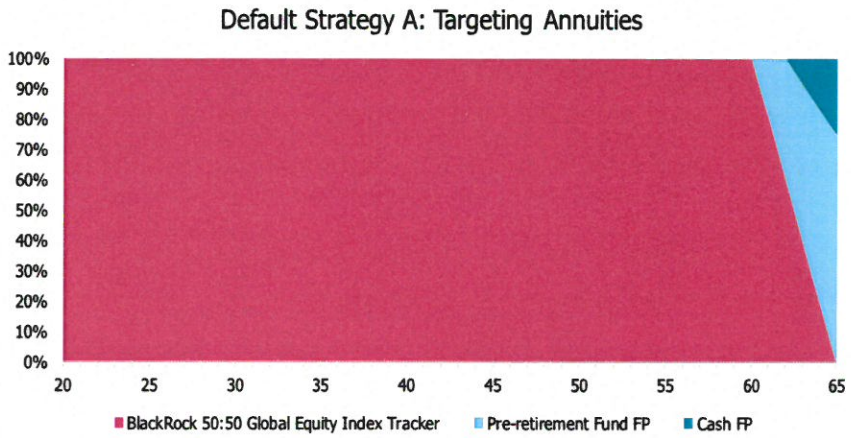
Objectives

- Designed for members who wish to use their retirement savings in the Scheme to take a tax-free cash lump sum and who may expect to purchase an annuity on retirement
- Strong growth prospects in early stages
- Protect against annuity price changes in later stages
- Assume that 25% tax-free cash lump sum will be taken at retirement
- Keep fund manager charges as low as possible
- Avoid unnecessary transactions and their associated costs

Strategy

Lifestyle arrangement:

- 100% investment in passive **BlackRock (50:50) Global Equity Index Tracker Fund** until age 60*
- Switch gradually into 75% **Pre-Retirement Fixed Interest FP** and 25% **Cash Fund FP** by age 65*
- Switching period of 5 years
- AMC 0.40% applies to all 3 component funds



*Note that normal retirement date ("NRD") is 65 for all active and most deferred members, but some have stayed on beyond 65 leading to some retirement ages between 66 and 74. Some deferred members still have an NRD of 60, as they left when it was still 60 for men and women.

Rationale

- Global equities provide a high long-term expected return.
- The global equity fund is passively run, keeping costs down.

- Given that the Trustees do not know whether members will prefer inflation linked or fixed pensions, **the Pre-Retirement Fixed Interest Fund** is a compromise. The fund invests in UK government and UK government backed index-linked securities, Sterling denominated overseas government backed index-linked securities and non -sterling bonds (hedged back to Sterling). Provides a hedge against changing annuity prices.

6. Strategy B: Targeting Cash

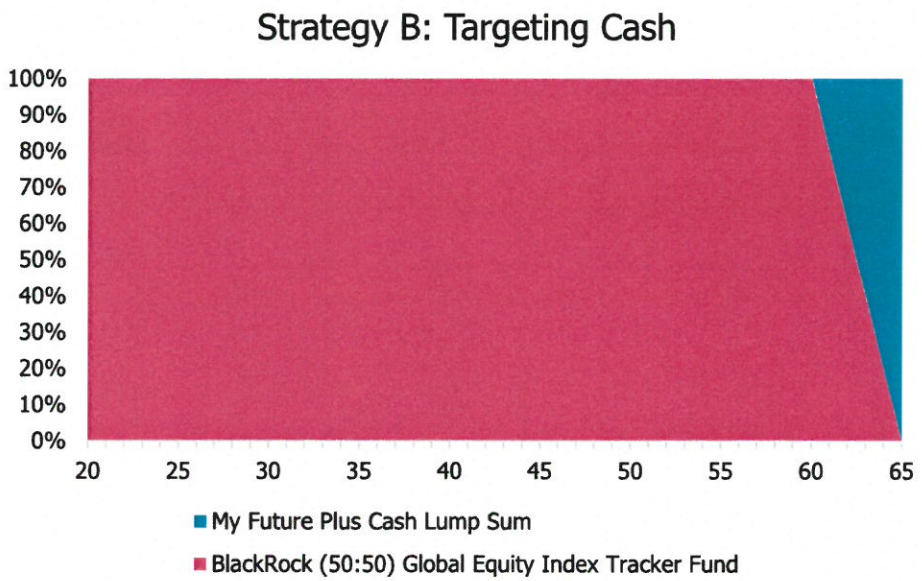
Objectives

- Designed for members who may wish to withdraw their retirement savings in the Scheme as a lump sum on retirement
- Strong growth prospects in early stages
- Protect against capital losses in later stages
- Keep fund manager charges as low as possible
- Avoid unnecessary transactions and their associated costs

Strategy

Lifestyle arrangement:

- 100% investment in passive **BlackRock (50:50) Global Equity Index Tracker Fund** (AMC 0.4%) until age 60*
- Switch into 100% **My Future Plus Cash Lump Sum** by age 65*
- Switching period of 5 years
- AMC 0.55% plus expenses of 0.03% pa



*Note that normal retirement date ("NRD") is 65 for all active and most deferred members, but some have stayed on beyond 65 leading to some retirement ages between 66 and 74. Some deferred members still have an NRD of 60, as they left when it was still 60 for men and women.

Rationale

- The arguments for the passive global equity fund are as per Strategy A.
- The My Future Plus Cash Lump Sum Fund aims to provide short-term liquidity. Invests in money market instruments, bonds and cash.

7. Strategy C: Targeting Drawdown

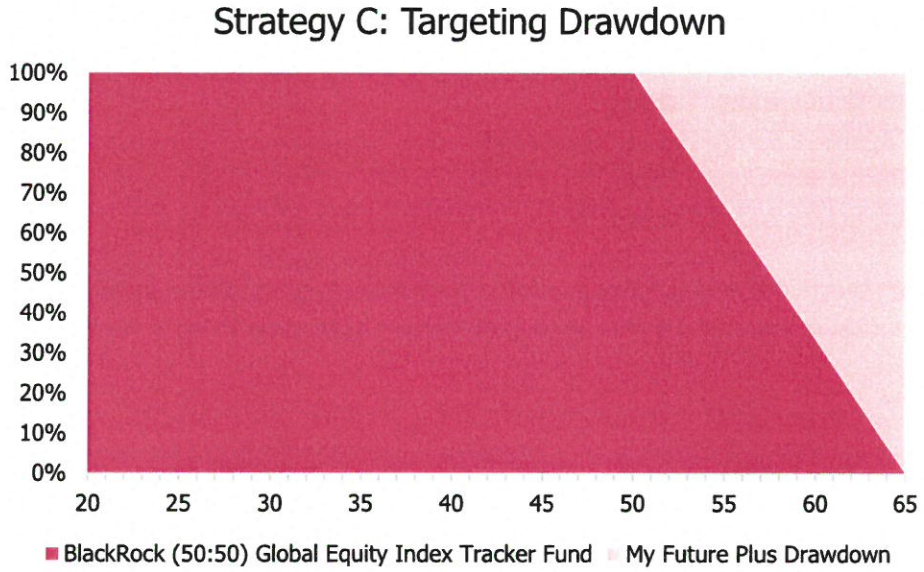
Objectives

- Designed for members who may wish to withdraw their investment savings in the Scheme gradually throughout retirement
- Strong growth prospects in early stages
- Slight reduction in volatility in later stages, investment time-horizon pushed back beyond retirement, and good growth potential is required up to and beyond retirement.
- Keep fund manager charges as low as possible
- Avoid unnecessary transactions and their associated costs

Strategy

Lifestyle arrangement:

- 100% investment in passive **BlackRock (50:50) Global Equity Index Tracker Fund** (AMC 0.4%) until age 50*
- Switch into 100% **My Future Plus Drawdown** by age 65*
- Switching period of 15 years
- AMC 0.60% plus expenses of 0.01%pa



*Note that normal retirement date ("NRD") is 65 for all active and most deferred members, but some have stayed on beyond 65 leading to some retirement ages between 66 and 74. Some deferred members still have an NRD of 60, as they left when it was still 60 for men and women.

Rationale

- The arguments for the passive global equity fund are as per Strategy A.
- The My Future Plus Drawdown fund provides some growth but with a reduced risk profile when compared to equities.

8. Self-select investment options

The options available to members are restricted to the funds identified below and those other funds, available on the Aviva (Friends Life legacy investment) platform, which already had member investments in them at the time this SIP was signed.

Following advice received from their investment consultant, the Trustees have agreed that, to fulfil their fiduciary responsibilities more efficiently and to assist members in their selection of investment options, they will provide a list of preferred funds. The list of funds reflects careful consideration of all options and provides members with sufficient choice to allow them to design an investment strategy that suits each individual member's circumstances and needs.

As an alternative to the three lifestyle strategies available, members can choose to invest in any of the following funds:

- Any of the individual funds that make up the three lifestyle options; plus
- BlackRock Over 15 Year Corporate Bond Index FP
- BlackRock EM Index Tracker FP
- LGIM Ethical UK Equity Index Tracker FP
- Pension Property Fund FP
- BlackRock European Equity Index Tracker FP
- BlackRock UK Equity Index Tracker
- BlackRock Japanese Equity Index Tracker FP
- BlackRock Pacific Rim Equity Index Tracker FP
- BlackRock US Equity Index Tracker FP

The investment objectives for the funds available to members are outlined in Appendix 1, together with details of the Annual Management Charges applicable to each fund.

9. Other matters

Investment Management Structure

The Trustees have appointed Aviva as the investment platform provider for all lifestyling and self-select options.

Investment restrictions

As the assets of the Scheme are invested in pooled vehicles the investment restrictions applying to these funds are determined by the investment managers.

Securities Lending

The Trustees recognise that the investment managers may engage in securities lending in order to produce additional incremental returns, subject to supervision rules as detailed in the fund managers' prospectuses.

Balance between Investments

The Trustees recognise the advantages of diversifying across different asset classes in order to take advantage of different asset class characteristics.

- Reducing the risk that results from investment in any one particular market; and
- Enhancing return.

Expected Return on Investments

Gilts are the easiest asset class for which to predict the long-term returns. Providing that they are held to maturity, and ignoring reinvestment risk, the return on gilts over their lifetime will be the current Gross Redemption Yield (GRY).

The Trustees base expected investment returns for other asset classes on this GRY as a starting point. Over the long-term, they expect the following returns per year over and above that of gilts:

Developed market equities	+3.0%
Corporate bonds	+1.0%

Realisation of Investments

The Scheme's assets are invested in the investment managers' pooled vehicles, which in turn invest in securities traded on recognised exchanges. The Trustees conclude that the majority of the Scheme's investments can be realised at short notice, if required.

Additional Member Contributions

Scheme members have the option of paying additional contributions into their account. Any such additional contributions are invested in the same way, with access to the same options, as 'ordinary' contributions.

Responsible Investment and Corporate Governance

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds. The Trustees acknowledge that they cannot directly influence the environmental, social and governance ("ESG") policies and practices of the companies in which the pooled funds invest. The Trustees also acknowledge that, where index tracking pooled vehicles are employed, ESG considerations cannot be taken into account due to the nature of the investment.

In principle, the Trustees believe that ESG factors can have an impact on the performance of investments and that the management of ESG risks and the exploitation of ESG opportunities, especially in relation to climate change, can add value to the portfolio. To that effect, the Trustees expect fund managers, where appropriate, to have integrated ESG factors as part of their investment analysis and decision-making process.

Appropriate weight will be given to ESG factors in the appointment of the fund managers. The Trustee will expect the fund managers to account for their policies and actions in relation to ESG considerations.

The Trustees view is that the stewardship responsibilities attached to the ownership of shares is important, but they recognise that investment in pooled funds limits their ability to be fully involved. The Trustees expect their investment managers to report in detail on how they have exercised voting rights attached to shares (including across passive equity mandates). Managers are expected to be signatories to the FRC UK Stewardship Code.

The Trustees have not deemed it necessary to survey the members of the scheme on non-financial matters in relation to the social and environmental impact of investments as their understanding and knowledge of the membership leads them to believe that members' views would be aligned with those of the Trustees. The Trustees have, however, included a self-select "ethical" investment option for members, that has specific rules on exclusions of certain areas of investment.

The Trustees will rely on information provided by Aviva to monitor funds against their stated ESG policies.

Default Fund

In relation to the default option for members the Trustees have selected component funds which state in their objectives that they have taken into account the same ESG factors which the Trustees believe are financially significant.

Additional policies required in this document by October 2020

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations, which expand the requirements for Statements of Investment Principles such as this. Statements must reflect the new requirements by 1 October 2020.

The Trustees' policies, reflecting these new requirements, are set out below:

- **How they incentivise their appointed investment managers to align investment strategy and decisions with the Trustees' policies, including risk, return and ESG.**

  The Scheme members invest solely in pooled funds where fees charged are a combination of fixed fees and a proportion of the assets under management. There are no performance-related components of the fees.

  The only incentivisation that the Trustees can exert is through the decision to retain or to liquidate their holdings in each fund.

  The investment strategies of the pooled funds are aligned to the Trustees' and members' investment objectives by selecting funds with suitable characteristics:

  - Benchmarks
  - Risk budgets
  - Constraints
  - Approaches (this includes ESG where appropriate)

  The Trustees maximise the probability of their members investment objectives being met by selecting an appropriate range of such funds, as well as setting suitable defaults, with advice from their investment consultant.

- **How the asset managers are incentivised to make decisions on assessments about medium to long term financial and non-financial performance of an issuer of debt or equity. Also, how the managers are incentivised to engage with the issuers in order to improve their performance.**

  The Scheme members invest in some passively managed funds. Passive fund managers are not expected to make assessments about the financial or non-financial performance of the issuers of securities they invest in.

  The only incentivisation that the Trustees can exert is through the decision to retain or to liquidate their holdings in each fund, whether actively or passively managed.

- **How the method and time horizon of the evaluation of managers' performance and remuneration are in line with the Trustees' policies.**

  The Trustees and members have access to reports from the fund managers.

  Where these funds are passively managed, the performance is expected to be broadly in line with the benchmarks.

  Performance is compared to the benchmark and tracking error target of each fund, in order to ensure that this is in alignment to the objectives and policies of the Trustees.

  In selecting pooled funds, the Trustees and their investment consultant take into account the fees charged by the fund manager. These are judged in terms of value for money given the nature of the fund, particularly the asset class and outperformance target.

  Fund managers need to give the Trustees notice if they plan to change the level of the fees. If this occurs, the Trustees seek advice from their investment consultant on whether to retain or replace the manager.

- **How the Trustees monitor portfolio turnover costs incurred by the managers (and how they define and monitor targeted portfolio turnover or turnover range).**

  Given the size of the Scheme's investment it would not be cost effective to monitor the turnover or turnover costs directly. The performance figures that the Trustees receive are net of transaction costs, so this is taken into account indirectly.

  The Trustees do not believe that they should micro-manage the level of turnover provided that the net outcome to the Scheme is acceptable.

- **The duration of their arrangement with the asset managers.**

  In order to maintain an incentive for the fund managers to perform well, the Trustees do not enter any fixed term arrangements with their managers. Investments in each pooled fund are only retained for as long as the aim of the fund is consistent with the overall investment objectives of the Scheme, and the Trustees have confidence that the fund managers can credibly deliver that aim in a cost-effective manner.

Appendix 1: Investment Funds

The following funds are listed as "preferred" to the members of The Tolent Pension Scheme, either indirectly via the lifestyle options or directly via the self-select options:

- **BlackRock (50:50) Global Equity Index Tracker Fund FP**
  The investment objective of the Fund is to provide diversified exposure to UK and overseas equity markets. The Fund will invest 50% in the UK and 50% in overseas equities.
  (Annual Management Charge: 0.40%)

- **BlackRock Over 15 Year Corporate Bond Index Tracker FP**
  Invests in investment grade corporate bonds denominated in Sterling, with maturity of 15 years and over. Consistent returns with Market iBoxx £ Non-Gilts Index.
  (Annual Management Charge: 0.40% + 0.07%pa)

- **BlackRock Emerging Markets Index Tracker Fund FP**
  The investment objective of the Fund is to achieve returns consistent with return of the MSCI Emerging Markets Index.
  (Annual Management Charge: 0.58% + 0.06%pa)

- **Cash Fund FP**
  The Fund aims to provide short-term liquidity. Invests in money market instruments, bonds and cash.
  (Annual Management Charge: 0.40%)

- **Legal & General (PMC) Ethical UK Equity Index Fund FP**
  The investment objectives state that the fund aims to track the total return of the FTSE4Good UK Equity Index to within +/- 0.5%pa over 2 out of 3 years. May use stock futures for efficient portfolio management. Invests in "ethical" shares. Constituents must comply with Environmental, Social and Governance (ESG) criteria.
  (Annual Management Charge: 0.60%)

- **My Future Plus Cash Lump Sum FP**
  The fund aims for a target of 2% pa average volatility over a full market cycle. It will predominantly invest in UK Government and corporate bonds. It may also invest in overseas bonds, including emerging market bonds, money market instruments and cash. Underlying funds will be mainly passively managed.
  (Annual Management Charge: 0.55% + 0.03%pa)

- **My Future Plus Drawdown FP**
  The fund aims for a target of 8% pa average volatility over a full market cycle. It will predominately invest in UK and overseas equities, including emerging markets, and UK Government and corporate bonds. It may invest in overseas bonds, including emerging market bonds, UK property, commodities, money market instruments and cash. Underlying funds will be mainly passively managed.
  (Annual Management Charge: 0.60% + 0.01%pa)

- **Pension Property Fund FP**
  The investment objective of the Fund is to generate capital growth and income by investing mainly in UK commercial property. Can invest in UK listed property equities, including real estate investment trusts, shares issued by companies that own, develop or manage direct property.
  (Annual Management Charge: 0.40%)

- **Pre-Retirement Fixed Interest FP**
  The Fund aims to produce a less volatile return than equities over the short and long term. Invests in UK government and UK government backed index-linked securities, Sterling denominated overseas government backed index-linked securities and non-sterling bonds (hedged back to Sterling). Provides a hedge against changing annuity prices.
  (Annual Management Charge: 0.40%)

- **Regional Passive Equity Options:**

  BlackRock European Equity Index Tracker FP
  BlackRock Japanese Equity Index Tracker FP
  BlackRock Pacific Rim Equity Index Tracker FP
  BlackRock US Equity Index Tracker FP
  BlackRock UK Equity Index Tracker FP
  All the above regional funds aim to track the relevant FTSE All World index
  (Annual Management Charges: 0.40% for all the regional passive equity funds)

Appendix 2: Third Party Arrangements

Advisors and service providers

The following advisors and service providers assist the Trustees:

Pension Consultant
MHM Pension Services Ltd
Windsor House
Cornwall Road
Harrogate HG1 2PW

Auditor
Robsons Chartered Accountants
1A Sykes Grove
Harrogate
North Yorkshire
HG1 2DB

Lawyers
Womble Bond Dickinson (UK) LLP
St Anne's Wharf
112 Quayside
Newcastle upon Tyne
NE1 3DX

Investment Consultant
Barker Tatham Investment Consultants Ltd
5th Floor, AMP House
Dingwall Road
Croydon CR0 2LX

Investment Platform Provider
Aviva Life Services UK Limited
Wellington Row
York YO90 1WR

Appendix 2

AVIVA

Your pension scheme

The Tolent Pension Scheme

Costs and charges illustration

What is this illustration for and how could it help you?

The information in this document is an 'illustration'. This is to show you the possible effect of costs and charges on your pension savings to help you plan for your retirement. The figures shown in it are not personal to you and do not show the actual pension benefits you could get from the pension scheme.

Your pension scheme benefits depend on many things such as contributions from you or your employer, how your investment funds have performed, and costs and charges. The value of your pension can go down as well as up and you may get back less than is paid in.

How charges affect your pension scheme's investment funds

On page 2 are tables which show how different costs and charges can impact the pension pot over certain periods of time, based on a selection of investment funds. Table 1 shows typical funds for your pension scheme. Table 2 shows funds with different growth rate assumptions and charges.

Under each investment fund, there are two columns. The first shows the projected pension values assuming no charges are taken. The second shows the projected pension values after costs and charges are taken. By comparing the two you can see how much the charges over the years will impact your pension fund. So, for example, if you started your pension at age 30 and expect to retire at 65, the figures at the end of year 35 would give an idea of figures are based on a monthly investment of £100 – see page 3 for the assumptions we use.

Table 1

Illustration of effect of cost and charges for typical funds within your scheme – The Tolent Pension Scheme										
	Av Multi-Asset Growth Fund FP-FPACTCEP		Av BlackRock (50:50) Global Equity Index Tracker-FPGBEX_P		Av FP With Profits Fund (NGP Series 4)-FPPROF4P		Av Cash-FPCASH_P		Av Managed-FPMANA_P	
	Assumed growth rate 3.6%		Assumed growth rate 4.5%		Assumed growth rate 3.1%		Assumed growth rate 0.5%		Assumed growth rate 3.6%	
	Assumed costs and charges 0.46%		Assumed costs and charges 0.46%		Assumed costs and charges 0.46%		Assumed costs and charges 0.4%		Assumed costs and charges 0.47%	
At end of year	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken
1	£1,190	£1,190	£1,200	£1,200	£1,190	£1,190	£1,170	£1,170	£1,190	£1,190
2	£2,400	£2,390	£2,420	£2,410	£2,390	£2,380	£2,320	£2,320	£2,400	£2,390
3	£3,620	£3,590	£3,670	£3,640	£3,590	£3,570	£3,450	£3,430	£3,620	£3,590
4	£4,850	£4,810	£4,940	£4,890	£4,800	£4,760	£4,560	£4,520	£4,850	£4,800
5	£6,100	£6,030	£6,230	£6,160	£6,020	£5,950	£5,640	£5,590	£6,100	£6,020
10	£12,500	£12,200	£13,100	£12,800	£12,200	£11,900	£10,800	£10,600	£12,500	£12,200
15	£19,300	£18,600	£20,700	£19,900	£18,600	£18,000	£15,400	£15,000	£19,300	£18,600
20	£26,500	£25,200	£29,000	£27,600	£25,200	£24,000	£19,600	£18,900	£26,500	£25,200
25	£34,000	£32,000	£38,200	£35,900	£31,900	£30,100	£23,400	£22,400	£34,000	£32,000
30	£42,000	£39,100	£48,300	£44,800	£38,900	£36,200	£26,900	£25,400	£42,000	£39,000
35	£50,400	£46,300	£59,400	£54,300	£46,100	£42,400	£30,000	£28,200	£50,400	£46,200
40	£59,200	£53,700	£71,700	£64,700	£53,500	£48,600	£32,800	£30,600	£59,200	£53,700
45	£68,600	£61,400	£85,200	£75,700	£61,100	£54,900	£35,400	£32,800	£68,600	£61,300
50	£78,400	£69,300	£100,000	£87,700	£68,900	£61,100	£37,700	£34,700	£78,400	£69,200

Table 2

Illustration of effect of costs and charges for funds with different growth rates and charges within your scheme – The Tolent Pension Scheme								
	Av BlackRock Over 5 Year Index-Linked Gilt Index Tracker-FPILGX_P		Av Cash-FPCASH_P		Av BlackRock (50:50) Global Equity Index Tracker-FPGBEX_P		Av BlackRock UK Special Situations FPBRUKSP	
	Assumed growth rate 1%		Assumed growth rate 0.5%		Assumed growth rate 4.5%		Assumed growth rate 4.5%	
	Assumed costs and charges 0.43%		Assumed costs and charges 0.4%		Assumed costs and charges 0.46%		Assumed costs and charges 1.92%	
At end of year	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken
1	£1,180	£1,170	£1,170	£1,170	£1,200	£1,200	£1,200	£1,190
2	£2,340	£2,330	£2,320	£2,320	£2,420	£2,410	£2,420	£2,370
3	£3,480	£3,460	£3,450	£3,430	£3,670	£3,640	£3,670	£3,560
4	£4,610	£4,570	£4,560	£4,520	£4,940	£4,890	£4,940	£4,750
5	£5,720	£5,650	£5,640	£5,590	£6,230	£6,160	£6,230	£5,930
10	£11,000	£10,800	£10,800	£10,600	£13,100	£12,800	£13,100	£11,900
15	£16,000	£15,500	£15,400	£15,000	£20,700	£19,900	£20,700	£17,800
20	£20,500	£19,700	£19,600	£18,900	£29,000	£27,600	£29,000	£23,800
25	£24,800	£23,600	£23,400	£22,400	£38,200	£35,900	£38,200	£29,700
30	£28,700	£27,100	£26,900	£25,400	£48,300	£44,800	£48,300	£35,700
35	£32,400	£30,300	£30,000	£28,200	£59,400	£54,300	£59,400	£41,600
40	£35,800	£33,200	£32,800	£30,600	£71,700	£64,700	£71,700	£47,600
45	£39,000	£35,800	£35,400	£32,800	£85,200	£75,700	£85,200	£53,600
50	£41,900	£38,200	£37,700	£34,700	£100,000	£87,700	£100,000	£59,500

How we worked out the figures in the tables

It's important to understand how much or how little difference charges make to your pension pot, but we can't predict exactly what will happen in the future so we've had to make some assumptions. The values shown are estimates and are not guaranteed.

These assumptions are:

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

Some important things to remember

Your scheme will offer other funds to those illustrated, with different growth potential and different charges, and may also offer some form of lifestyling investment approach. If you have selected the lifestyling investment approach your pension pot will automatically be moved into different funds as you approach your retirement date and your scheme literature will provide details of how this works. As the individual funds used in a lifestyling approach have different growth potential and different charges, the overall growth rate and overall charge will change over time.

For these reasons, we have shown a range of funds with a range of charges which are available to you and which could apply to your pension pot during the life of your plan. A personal projection of your pension pot is included in your annual benefit statement and you should read that to get an individual view of your projected pension benefits. You'll also find details of the actual charges applicable to you in your scheme literature.

The figures shown here:

- Shouldn't be used to make investment decisions, so if you need to do that, we recommend that you take financial advice.
- May not be relevant to your personal circumstances. Your money may be invested in different funds, for example.

Aviva Life & Pensions UK Limited.

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BIG THINKING
FOR SMALL SCHEMES

Implementation Statement

The Tolent Pension Scheme

31 March 2022

BARKER TATHAM™
PENSION INVESTMENTS

1. Introduction

Under regulatory requirements, trustees are required to prepare and review an implementation statement outlining their approach and stewardship dealing with certain specific matters with regards to their Environmental, Social and Governance (ESG) principles outlined in their latest Statement of Investment Principles (SIP).

This Statement sets out the principles governing decisions about the ESG aspect of investment of the assets The Tolent Pension Scheme. In preparing it, the Trustees obtained written reporting on these matters from Barker Tatham Investment Consultants Limited as its investment consultants.

2. ESG Principles

Environmental, Social and Corporate Governance Policies

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds. They acknowledge that they cannot directly influence the environmental, social and governance ("ESG") policies and practices of the companies in which the pooled funds invest. The Trustees also acknowledge that where index tracking pooled vehicles are employed, ESG considerations cannot be taken into account due to the nature of the investment.

In principle, the Trustees believe that ESG factors can have an impact on the performance of its investments and that the management of ESG risks and the exploitation of ESG opportunities, especially in relation to climate change, can add value to the portfolio. To that effect, the Trustees expect their fund managers, where appropriate, to have integrated ESG factors as part of their investment analysis and decision-making process.

Appropriate weight will be given to ESG factors in the appointment of fund managers.

The Trustees believe that the stewardship responsibilities attached to the ownership of shares are important but recognise that investment in pooled funds limits their ability to be fully involved. The Trustees expect their investment managers to report in detail on how they have exercised voting rights attached to shares including across passive equity mandates. Managers are expected to be signatories to the FRC UK Stewardship Code.

The Trustees have not deemed it necessary to survey the members of the scheme on non-financial matters in relation to the social and environmental impact of investments as their understanding and knowledge of the membership leads them to believe that members' views would be aligned with those of the Trustees. The Trustees have, however, included a self-selection "ethical" investment option for members, that has specific rules on exclusions of certain areas of investment.

The Trustees will rely on information provided by Aviva to monitor funds against their stated ESG policies.
Further information on the Trustees' policies can be found in the latest SIP dated September 2019.

In the Trustees' opinion, their policies, as recorded in the SIP, have been followed over the 12-month period to 31 March 2022.

The following pages illustrate how the Trustees, through their fund managers, have followed their stewardship and engagement policies.

3. Investments Attitudes to ESG

Fund Manager/Fund	ESG Description
Aviva (DC Section Only)	
<u>Default Funds</u> **Aviva Pension BlackRock (50:50) Global Equity Index Tracker Fund** **Aviva Pre-Retirement Fixed Interest FP** **Aviva Cash Fund FP** For completeness we note that self-select options are available – this report concentrates on the default funds as required by the regulations.	• **Fund Manager Overview** Aviva Investors recognises and embraces their duty to act as responsible long-term stewards of their clients' assets. They claim to hold a deep conviction that environmental, social and governance (ESG) factors can have a material impact on investment returns and client outcomes. They believe that being a responsible financial actor means their investment approach must support, and not undermine, the long-term sustainability of capital markets, economies, and society. Aviva holds principles and governance publicly available in their document titled "Aviva Investors Responsible Investment Philosophy". Aviva is a strong supporter of the UK stewardship code that embodies seven principles, which cover: • Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities. • Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed. • Institutional investors should monitor their investee companies. • Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities. • Institutional investors should be willing to act collectively with other investors where appropriate. • Institutional investors should have a clear policy on voting and disclosure of voting activity. • Institutional investors should report periodically on their stewardship and voting activities. Aviva explains how they ensure compliance with the Stewardship Code in their "Stewardship Statement". • **ESG Integration** Aviva Investments have several things in place to integrate ESG principles into practice. Firstly, they maintain a Responsible Investment Officer (RIO) Network with representatives from different asset classes and regions. The RIO Network act as ESG integration champions across the business. The Global Responsible Investment (GRI) Team facilitate internal and external training for investment teams on current and emerging ESG trends, risks and opportunities. Aviva operates a proprietary ESG data model synthesising internal and

	external data to provide investment teams an assessment of ESG risks basis. Bespoke ESG integration processes have been developed for their core asset classes and fund strategies including equities, credit, sovereign, multi-asset and real assets. Their investment risk team integrates ESG indicators into portfolio risk reports wherever practicable. Performance against ESG objectives is embedded into investment teams' annual evaluation and compensation framework. There are three levels to integrating financially material ESG risks into the credit investment process • The research team publishes their research, including an ESG rating score, focusing on how the company performs relative to industry peers, and an ESG momentum score, which focuses on the trend in company ESG metrics on a year-on-year basis. • Each published credit research note highlights the current MSCI ESG score for the company and analyses a company through an ESG lens. • The final part is the integration into the portfolio where the credit portfolio managers use the quantitative ESG scores houses in Aladdin to track a portfolio's ESG score through time. Aviva publishes annual proxy voting guidelines and UK Stewardship Code compliance statements providing details of their responsible investment approach and outlining views on ESG best practice. Furthermore, they avoid or divest positions when unmanaged ESG factors fall outside of their risk tolerance and engagement is deemed unsuccessful. Aviva aims to push market reform by utilising its influence and insights as a large institutional investor to advocate for policy reforms that address market failures and help build more sustainable capital markets. • **Active Ownership (1 year to 31 March 2022)** Aviva votes globally at all shareholder meetings that they have the legal right to do so and where costs are not prohibitive. They will endeavour wherever practicable, to recall lent stock prior to contentious shareholder meetings when this is considered in clients' best interest. Extensive proactive and reactive engagement is undertaken with management and boards of issuers and borrowers to monitor ESG practices and encourage best practice. Aviva commits to transparency through timely publication of voting records and quarterly and annual reporting of their engagement activities. Over the 12 months to the end of March 2022:

	Aviva Pension BlackRock 50:50 Global Equity Index Tracker Fund Aviva were eligible to vote at 2,730 meetings and on 35,368 resolutions over the 12-month period. Aviva voted on 94.19% of resolutions. 74% of votes were votes for, 24% were votes against management and 2% of votes abstained from. **Aviva Pre-Retirement Fixed Interest FP** The fund invests in UK government and UK government backed index-linked securities, Sterling denominated overseas government backed index-linked securities and non-sterling bonds (hedged back to Sterling). There is no voting activity to report. **Aviva Cash Fund FP** The fund aims to provide short-term liquidity by investing in money market instruments, bonds and cash. It may invest in short-term bonds issued or backed by the UK Government or supranational agencies as well as commercial paper, cash and near cash assets such as deposits and certificates of deposit. There is no voting activity to report. A case study by Aviva also focuses on recent years, when Barclays has been targeted by investors and civil society for its lack of response to climate change – being one of the largest lenders to fossil fuels globally. The Equity Team (led by CIO, David Cumming) and Responsible Investment Team met with the Barclays board and management representatives several times to outline their views on how to respond to aligning the strategy to the Paris agreement. Barclays responded by publishing a market leading ambition to be the first bank globally to achieve net zero emissions in all financing activities by 2050. A further case study by Aviva focuses on a range of governance and climate-related issues with Chubu Electric Power (Japan's largest power generators). With Asian utilities accounting for 23% of global carbon emissions, recent meetings focused on discussing the company's new net-zero 2050 ambition and updating its 50% emission reduction target by 2030. Whilst encouraged by ongoing improvements in the company's sustainability disclosures and commitment to promoting good governance, Aviva requested the company conduct/evidence TCFD-aligned scenario analysis to provide reassurance that its emissions objectives can be achieved with and without nuclear forming part of its power generation mix.

	More recently, Aviva were concerned about the treatment of staff at Delta Airlines & Ryanair as the COVID-19 crisis unfolded, both from a safety perspective and the potential for significant job losses due to worldwide travel restrictions. Aviva met with the management of both companies to make its position clear that staff needed to be protected. Delta Airlines implemented safety protocols, including a robust home-testing programme for employees. The company also provided full-pay protection and set up a vaccination site at its offices. Ryanair minimised job losses relative to other airlines as pay reductions agreed were to be fully restored in future years. Aviva will continue to engage with management, potentially taking a position in the company again in the future. Another case study by Aviva looks at Rio Tinto, an Australian mining company which has been under heightened pressure to improve their social licence to operate following the recent 2019 deadly breach at a dam owned by Vale in Brazil, and more recently the destruction of a 46,000-year-old sacred aboriginal site by Rio Tinto in May 2020 to make way for the expansion of an iron ore mine in Australia. Aviva met with Rio Tinto's chairman several times to express the need for radical improvements in its approach to cultural heritage and community relations. This has led to Rio Tinto making laudable efforts to strengthen internal practices, policies and governance to reaffirm and protect its social licence to operate, exemplified in the roll-out of a "new integrated risk plan" and launch of an indigenous advisory group. • **References** Further information can be found on the following links with the corresponding topics: o Aviva Investors ESG Baseline Exclusions Policy – February 2022 o Responsible Investment Annual Review – 2021

Tolent Pension Scheme Trustees Annual Report 31.03.2022

Final Audit Report 2022-10-27

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