WATSON-MARLOW

DEFINED CONTRIBUTION PENSION PLAN

Fluid Technology Group

Chair's Governance Statement 2020

DC Governance Standards

Plan year ending 5 April 2020

Introduction

This statement has been prepared by the Trustees of the Watson-Marlow Defined Contribution Pension Plan (the Plan) in order to demonstrate how the Plan has complied with the governance standards introduced under the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (as inserted into Regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996). These governance standards cover the following key aspects of the operation and administration of the Plan:

- The investment options available to members, particularly the default investment strategy;
- The processing the Plan's core financial transactions;
- The charges and transaction costs incurred by members and the extent to which they provide value to members;
- How the Trustees maintain sufficient knowledge and understanding so they can undertake their duties and responsibilities in relation to the Plan.

This statement covers the Plan's year from 6 April 2019 to 5 April 2020.

In order to operate high governance standards, the Trustees are a dedicated team who meet regularly to monitor the controls and processes in place relating to the Plan's investments and administration.

When undertaking their roles and responsibilities, the Trustees consider the requirements and expectations set out in the Pensions Regulator's DC Code of Practice No 13 (the Code) that covers the governance and administration of pension schemes such as the Plan. In addition, the Trustees are assisted in their duties by their advisers, Willis Towers Watson. The Trustees believe that they meet the legislative requirements and standards of practice set out in the Code and associated regulatory guidance where appropriate for the Plan, which they believe will help deliver the best outcomes for members at retirement.

As at 5 April 2020, there were six Trustees on the board, including four directors of the principal employer and two member nominated trustees. During the year, four Trustees stood down and four new Trustees were appointed.

At the time of preparing this statement, the Trustees continue to work closely with their advisers and Aviva to assess the impact of Covid-19 on the Plan. This work has included:

- Engaging with Aviva to ensure that core financial transactions are processed promptly
- Considering the immediate impact on the investment funds and what actions may be required in the short and longer term
- Communicating with members regarding the impacts of Covid-19, how their pension has been impacted and what they need to do, in-particular encouraging them to 'stop and think' before making any investment decisions during periods of market volatility.

If you have any questions about either the information in this statement or the Plan more generally, please contact the Pensions and Payroll Manager on 01326 370352.

Signature

Mark Davis
Chair of Trustees
The Watson-Marlow Defined Contribution Pension Plan
12 October 2020

Contents

The Trustees' investment strategy

The Trustees prepare and keep under review a Statement of Investment Principles (SIP), which governs their decisions about the investment strategy for the Plan. In particular, it covers:

- The Trustees' investment policies on risk, return and sustainable investing;
- The aims and objectives of the Plan's default investment strategy, the Lifestyle Investment Programme;
- How the default investment strategy is intended to ensure it is in the best interests of those members who do not make their own investment choice.

A copy of the latest SIP is attached as Appendix II to this statement.

Based on the characteristics and membership of the Plan and the Trustees' objectives as described in Section 3 of the SIP, the Trustees have selected a default investment strategy and an alternative range of investment options for members. As required by legislation, the Trustees' obtain advice on a regular basis from their advisers (at least once every three years) on whether the default investment strategy and the alternative funds (or any other investments chosen by the Trustees) remain appropriate for the Plan's membership.

The default investment strategy

For members of the Plan who do not make their own choice on how to invest their pension savings, contributions are automatically invested in the Lifestyle Investment Programme, being the default investment strategy under the Plan. As at September 2020, 98% of Plan members were invested in the Lifestyle Investment Programme.

The Lifestyle Investment Programme is principally designed for members who intend to purchase an annuity with their retirement savings when they retire because, following the last review in April 2018, the Trustees believe this remains the most likely option to be chosen by members of the Plan when they retire.

The overall objective of the Default Option is to provide those members who do not actively make their own investment choice with an investment strategy that aims to provide:

- Long term growth via an investment in global equities whilst a member is more than 10 years away from retirement and can accept a medium to high level of risk;
- A gradual reduction in risk during the 10 years immediately before a member reaches retirement whilst at the same time providing some protection against adverse movements in annuity prices.

Reviewing the default investment strategy

The Trustees undertake a review of the Default Option every three years in order to ensure it remains appropriate for members of the Plan, although they will undertake an earlier review if there are any significant changes in their investment policy or the Plan's membership.

No review of the Default Option was undertaken during the year covered by this statement, with the most recent review having been undertaken in April 2018. As part of this review, having considered the aims and objectives of the Default Option, the Trustees agreed that no changes were required. This was because, based on an analysis of the membership undertaken as part of the review, the Trustees felt that the Default Option remained in the best interest of those members who do not actively make their own investment choice. In particular, the Trustees agreed that:

- It reflects the memberships' perceived risk tolerance;
- The purchase of an annuity remains the most likely retirement option to be chosen by members.

Monitoring the performance of the default investment strategy

The Trustees review how the funds within the Default Option (and those included in the alternative self-select fund range) have performed against the relevant investment managers' objectives and benchmarks for the fund. An update on each fund's performance is provided during the Trustees' quarterly meetings. This analysis and any supporting advice from their advisers, help the Trustees in determining whether they should consider making any changes as a result of the performance of the funds.

Charges and transaction costs

Charges

The annual charges incurred by members of the Plan are called the Total Expense Ratio (TER) and are expressed as a percentage of the value of a member's investment in a particular fund. For example, the TER for the AP Blackrock 30:70 Currency Hedged Global Equity Index fund is 0.63% pa, which means for a member investing in this fund, the annual charge is £6.30 for every £1,000 invested in that fund.

These charges cover the administration, communication and investment services that Aviva provides to members of the Plan as well as the provision of information to the Trustees to assist them with their governance responsibilities. This information is principally provided in Aviva's quarterly Governance Reports.

The annual charges for the Default Option are:

- A TER of 0.63% pa whilst a member is more than 10 years from retirement;
- A TER starting at 0.63% pa and gradually reducing to 0.6% per annum during the 10 years immediately preceding a member's retirement date.

For the self-select range of funds, the charges are set out in the table below.

Transaction costs

In addition to the above charges, members incur transaction costs, such as those that arise as a result of buying or selling the investments held by each fund. The table below also shows the transaction costs (rounded to two decimal places) for each fund during the 12 months ending 31 March 2020 (the date nearest to the Plan's year end of 5 April 2020).

Fund name	TER	Transaction costs for the year ending 31 March 2020
AP BlackRock 30:70 Currency Hedged Global Equity Index*	0.63%	0.14%
AP BlackRock 50:50 Global Equity Index	0.60%	0.02%
AP BlackRock UK Equity Index	0.60%	0.17%
AP BlackRock World Ex-UK Equity Index	0.60%	0.06%
AP BlackRock Over 5 Year Index-Linked Gilt Index*	0.60%	0.00%
AP BlackRock Over 15 Year Gilt Index	0.60%	0.02%
AP BlackRock Over 15 Year Corporate Bond Index*	0.60%	0.12%
AP Cash*	0.60%	0.01%

* These funds are used in the default investment strategy

Note: There is no standard way of calculating transaction costs. The FCA has stipulated that a calculation methodology called 'slippage cost' should be used. This calculates the difference between the expected price of buying an underlying investment in a fund (for example, shares in a company) at the time the order is placed by the investment manager and the price at which the trade is executed. One consequence of this calculation method is that, rather than generating a cost, it can result in a profit that in turn results in a negative transaction cost being reported. This can happen, for example, when the actual price paid when buying an investment is lower than the expected price. In line with guidance from the DWP, negative transaction costs are shown as zero in the above table.

The impact of charges and transaction costs

Over time, the charges and transaction costs that are taken out of a member's pension savings by Aviva reduce the amount available to the member at retirement. The Trustees have therefore included in Appendix I illustrations of the impact of charges and transaction costs on different investment options available to members with of the Plan. The illustrations have been prepared by Aviva on behalf of the Trustees and in accordance with the DWP's statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes".

As each member has a different amount of pension savings within the Plan and the amount of any future investment returns and future charges and transaction cost cannot be known in advance, Aviva has had to make a number of assumptions about what these might be when preparing the illustrations. These assumptions are explained in Appendix I.

Ensuring the charges provide good value for members

The Trustees are committed to ensuring that the charges and transaction costs deducted from members' pension savings under the Plan represent good value for members. Whilst there is no precise legal definition of "good value", the Trustees consider it broadly means that the combination of charges and transaction costs paid by members, and the quality of the services provided to members in return for those charges and transaction costs, is appropriate for and meets the needs of the Plan's members.

The Trustees also recognise that good value for members does not necessarily mean the lowest charges and transaction costs, and the overall quality and appropriateness of the services received by members in return for the charges and transaction costs incurred must also be considered. In addition, the Trustees take into account other benefits members receive due to their membership of the Plan for which they do not meet the cost. These include the Trustees':

- Oversight and governance duties for the Plan, which include ensuring compliance with relevant legislation and the holding of regular Trustee meetings to monitor the Plan and address any material issues that may impact members' benefits;
- Appointment of professional advisers to assist and support the Trustees in their roles and responsibilities;
- Regular review of the investment options available to members to ensure they remain appropriate.

In line with the above, the Trustees undertake a 'value for member' assessment each year by considering:

- The level of charges and transaction costs incurred by members;
- The services members receive in return for those charges and transaction costs, specifically the need for the service and its performance;
- Broader elements of the Plan that add value to members but for which they do not pay (as referred to above).

As previously explained, for the Plan, the charges and transaction costs paid by members principally cover Aviva's costs for both the management of the investment options available to members and the administration of the Plan together with communication services. In addition, they also cover the cost of Aviva providing the Trustees with information to assist them with the governance of the Plan. These charges are represented by each investment fund's TER plus associated transaction costs (see the previous section) – all other costs are met by the Company.

When undertaking their 'value for member' assessment for the year ending 5 April 2020, the Trustees considered the various elements of the above services provided by Aviva to members as well as broader elements that complement those services and concluded that for the year to 5 April 2020 members again received good value. The principal reasons for this are outlined below.

1. Whilst the charges for the default investment strategy (which range from 0.6% pa to 0.63% pa) are higher than the average equivalent charges incurred by members of other schemes, they are below the statutory charge cap of 0.75% per annum that applies to default investment options, as are the charges for the alternative investment options;
2. Transaction costs should provide value for members as the ability for investments managers to buy and sell investments forms an integral and important part of the management of the investments funds in which members are invested, which in turn should lead to greater investment returns, net of fees, over time;
3. Members of the Plan have access to a good range of investment options, including:
    a. A default investment strategy that the Trustees review every three years to ensure it remains appropriate for member;
    b. A selection of alternative, passively managed investment funds that provide investment options in the main asset classes for those members who do not wish to invest in the default investment strategy.
4. Whilst Aviva did not meet its administration service level targets for some administration tasks during the year covered by this statement, overall, its performance showed signed of improvement compared to the previous year. In addition, the Trustees will continue to closely monitor Aviva in order to ensure performance continues to improve;
5. Members have online access to their pension accounts under the Plan through a dedicated member website provided by Aviva through which they can, for example, update their personal details, check the value of their pension savings and make changes to their investment choices. The member website also provides access to a good range of educational and planning tools that can help members understand their options and prepare for their retirement;
6. Members benefit from a good range of written and online communication materials provided by Aviva, which are supplemented by bespoke communications from the Trustees, such as a dedicated explanatory booklet and an annual newsletter;
7. Members benefit from the Trustees' oversight and governance of the Plan, which is supported by advice from the Trustees' professional advisers, the cost of which is paid by the Company.

Core financial transactions

At each Trustee meeting, the Trustees monitor the performance and timeliness of the core financial transactions of the Plan, which are subject to Aviva's agreed service levels. These include the payment and subsequent investment of contributions, the payment of benefits to members on retirement, death and leaving (including transfers into and out of the Plan) and investment fund switches. Also, the Trustees comply with the Code of Practice No 5 on reporting late payments of contributions (not required during the year ending 5 April 2020 – see below) and with the relevant legislation.

Monitoring of the above is undertaken through the receipt of quarterly Governance Reports from the Plan's administrator, Aviva, which are reviewed by the Trustees at their quarterly meetings. In addition, Aviva attend a Trustee meeting each year, which provides the Trustees with an opportunity to discuss in detail any concerns they have on Aviva's performance against its agreed service standards.

In addition, each month, the Company's Pension and Payroll Manager monitors the payment of contributions and benefits and raises any concerns with Aviva as and when they arise.

The Trustees also receive an annual report on Aviva from their advisers, Willis Towers Watson, which includes an independent, detailed assessment and analysis of the administration performance of Aviva against its agreed service levels and standards for key financial transactions (such as the processing and settlement of benefits) and other, non-financial tasks (such as responding to members' questions and updating details). This report includes comparative information on the equivalent performance of other leading pension providers.

The Plan's accounts are also audited annually by the Trustees' appointed auditors, Francis Clark LLP.

Based on a combination of the above, for the Scheme year ending 5 April 2020, the Trustees are satisfied that:

- Aviva operated appropriate procedures, checks and controls in relation to the processing of core financial transactions;
- There have been no material administration errors in relation to core financial transactions;
- Overall, core financial transactions have been processed promptly and accurately during the Scheme year ending 5 April 2020.

In particular:

- Payment of contributions – all contributions deducted from members' pay, as well as those paid by the Company, were paid to the Plan within the relevant statutory deadline;
- Fund switches, transfers and benefit payments to members – the majority of these core financial transactions were completed by Aviva within its agreed service level, with the exceptions being transfers of benefits either into or out of the Plan.

Trustees' knowledge and understanding (TKU)

The Plan's Trustees are required to maintain appropriate levels of knowledge and understanding to run the Plan effectively and each Trustee must therefore:

- Be conversant with the Plan's governing documents that include the Trust Deed and Rules, the Statement of Investment Principles and any other policy documents relating to the operation and administration of the Plan;
- Have knowledge and understanding of the law relating to pensions and trusts together with the principles relating to the investment of the Plan's assets.

To comply with the above and in line with the guidance provided in the Pensions Regulator's Code of Practice No. 7, the Trustees have a process in place to ensure that each Trustee has the appropriate knowledge and understanding to enable them to undertake their duties and responsibilities in relation to the Plan. For example, all Plan documents are available to the Trustees, which allows each Trustee to maintain a working knowledge of the Plan's key documents, such as the Trust Deed and Rules and the Statement of Investment Principles, by referring to them as and when required. If in doubt about the application of any rules, regulations or policies relating to the Plan, the Trustees take the appropriate professional advice.

How the Trustees' met the TKU requirements

The Trustees' approach to meeting the TKU requirements includes:

- Having an agreed induction process for new trustees, which was used following the appointment of five new Trustees during the year covered by this statement;
- The completion by each Trustee of the relevant parts of the Pensions Regulator's Trustee Toolkit;
- Reviewing the training programme annually following a TKU assessment;
- Maintaining a rolling programme of bespoke trustee training with designated training days if required and within Trustee meetings, where appropriate;
- Recording all training and attendance at appropriate seminars in the trustee training log;
- Circulating to each Trustee, updates from its advisers about matters relevant to the Plan.

During the year covered by this statement, a number of the Trustees received training from their advisers and also attended an external training course run by Broadstone. In addition, the new Trustees completed the Pensions Regulator's Trustee Toolkit.

Examples of topic specific training received by the Trustees included an update on 'value for members' and training on sustainable investments.

How the combination of the Trustees' knowledge and understanding and advice received has enabled the Trustees to undertake their duties

The Trustees also have access to the services of a range of professional advisors and all decisions of the Trustees are supported by professional advice where required. In addition, the Trustees' professional advisers attend each Trustee meeting.

As Chair I am therefore confident that the combined knowledge and understanding of the Trustee Board enables the Trustees to exercise properly their roles and duties in relation to the Plan.

APPENDIX I

The impact of charges and transaction costs

The following illustrations were produced by Aviva on behalf of the Trustees.

What are the illustrations for and how could they help you?

The information in this Appendix is an 'illustration' only and is provided 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 Plan.

Your benefits from the Plan depend on many things such as contributions from you and the Company, how your chosen investment funds perform, and costs and charges. You may get back less than you put in.

How charges affect the Plan's investment funds?

On pages 16 and 17 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 funds used in the default investment strategy for the Plan whilst Table 2 shows funds with different growth rates, 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 charges and transaction costs are deducted. By comparing the two you can see how much the overall 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 the effect of charges over the 35 years you are invested. The figures are based on a monthly investment of £100 – see below for the assumptions Aviva has used.

How Aviva worked out the figures in the tables

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

These assumptions are:

1. Aviva has assumed that someone doesn't have anything in their pension pot when they start saving. Contributions are assumed to be £100 per month 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, the assumed rate of inflation. 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 projected value of your pension savings 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

The Plan offers other funds to those illustrated, with different growth potential and different charges. If you have selected the default option, the Lifestyle Investment Programme, your pension pot will automatically be moved into different funds as you approach your retirement date and the Plan booklet provides details of how this works. As the individual funds used in the Lifestyle Investment Programme have different growth potential and different charges, the overall growth rate and overall charges will change over time.

For these reasons, Aviva has 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 membership. 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 the Plan booklet.

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 – for example, your money may be invested in different funds.

Notes to the illustrations

i. The transaction costs used by Aviva to prepare the illustrations were the most recent available at the time the figures were calculated and may therefore not be the same as the transaction costs for the year ending 31 March 2020 shown on page 7 of this statement.

ii. The assumed costs and charges shown in the tables are rounded to two decimal places whereas the transaction costs used in the underlying calculations are to four decimal places. As a result, due to rounding, projected figures for different funds may differ slightly even though the assumed growth rate and assumed costs and charges are shown to be the same in the tables below.

Table 1

Illustrations of the effect of costs and changes for the funds in the Plan's default option, the Lifestyle Investment Programme								
	AP BlackRock 30:70 Currency Hedged Global Equity Index		AP BlackRock Over 5 Year Index- Linked Gilt Index		AP BlackRock Over 15 Year Corporate Bond Index		AP Cash	
	Assumed growth rate 5% pa		Assumed growth rate 2% pa		Assumed growth rate 3% pa		Assumed growth rate 1.5% pa	
	Assumed costs and charges 0.75%		Assumed costs and charges 0.64%		Assumed costs and charges 0.69%		Assumed costs and charges 0.63%	
At end of year	Projected value in today's money assuming no charges are taken	Projected value in today's money after costs and charges are taken	Projected value in today's money assuming no charges are taken	Projected value in today's money after costs and charges are taken	Projected value in today's money assuming no charges are taken	Projected value in today's money after costs and charges are taken	Projected value in today's money assuming no charges are taken	Projected value in today's money after costs and charges are taken
1	£1,200	£1,200	£1,180	£1,180	£1,190	£1,190	£1,180	£1,180
2	£2,430	£2,410	£2,360	£2,350	£2,390	£2,370	£2,350	£2,330
3	£3,700	£3,650	£3,530	£3,500	£3,590	£3,550	£3,510	£3,470
4	£4,990	£4,910	£4,700	£4,640	£4,790	£4,730	£4,650	£4,590
5	£6,310	£6,190	£5,860	£5,770	£6,010	£5,900	£5,790	£5,700
10	£13,400	£12,900	£11,600	£11,200	£12,200	£11,700	£11,300	£11,000
15	£21,500	£20,200	£17,200	£16,400	£18,500	£17,500	£16,500	£15,800
20	£30,500	£28,200	£22,600	£21,200	£24,900	£23,300	£21,500	£20,300
25	£40,700	£36,800	£27,900	£25,800	£31,500	£28,900	£26,300	£24,400
30	£52,300	£46,200	£33,100	£30,200	£38,300	£34,500	£30,800	£28,200
35	£65,300	£56,300	£38,200	£34,300	£45,300	£40,100	£35,100	£31,700
40	£79,900	£67,400	£43,100	£38,200	£52,400	£45,600	£39,200	£35,000
45	£96,500	£79,400	£47,900	£41,900	£59,700	£51,000	£43,200	£38,000
50	£115,000	£92,500	£52,600	£45,300	£67,200	£56,400	£46,900	£40,800

Source: Aviva

Table 2

Illustrations of the effect of costs and changes for funds with different growth rates and charges in the Plan								
	AP Cash		AP BlackRock Over 15 Year Gilt Index		AP BlackRock World (ex-UK) Equity Index		AP BlackRock UK Equity Index	
	Assumed growth rate 1.5% pa		Assumed growth rate 2.5% pa		Assumed growth rate 5% pa		Assumed growth rate 5% pa	
	Assumed costs and charges 0.63%		Assumed costs and charges 0.58%		Assumed costs and charges 0.67%		Assumed costs and charges 0.83%	
At end of year	Projected value in today's money assuming no charges are taken	Projected value in today's money after costs and charges are taken	Projected value in today's money assuming no charges are taken	Projected value in today's money after costs and charges are taken	Projected value in today's money assuming no charges are taken	Projected value in today's money after costs and charges are taken	Projected value in today's money assuming no charges are taken	Projected value in today's money after costs and charges are taken
1	£1,180	£1,180	£1,190	£1,180	£1,200	£1,200	£1,200	£1,200
2	£2,350	£2,330	£2,370	£2,360	£2,430	£2,420	£2,430	£2,410
3	£3,510	£3,470	£3,560	£3,530	£3,700	£3,660	£3,700	£3,650
4	£4,650	£4,590	£4,750	£4,690	£4,990	£4,920	£4,990	£4,900
5	£5,790	£5,700	£5,930	£5,850	£6,310	£6,200	£6,310	£6,180
10	£11,300	£11,000	£11,900	£11,500	£13,400	£13,000	£13,400	£12,900
15	£16,500	£15,800	£17,800	£17,000	£21,500	£20,400	£21,500	£20,100
20	£21,500	£20,300	£23,700	£22,400	£30,500	£28,400	£30,500	£27,900
25	£26,300	£24,400	£29,700	£27,600	£40,700	£37,200	£40,700	£36,400
30	£30,800	£28,200	£35,600	£32,700	£52,300	£46,800	£52,300	£45,600
35	£35,100	£31,700	£41,500	£37,600	£65,300	£57,300	£65,300	£55,500
40	£39,200	£35,000	£47,500	£42,300	£79,900	£68,700	£79,900	£66,200
45	£43,200	£38,000	£53,400	£47,000	£96,500	£81,100	£96,500	£77,800
50	£46,900	£40,800	£59,300	£51,500	£115,000	£94,700	£115,000	£90,400

Source: Aviva

APPENDIX II

Statement of Investment Principles (dated September 2020)

Section 1: Introduction

Overview

1.1 Under the Pensions Act 1995 (as amended by the Pensions Act 2004), trustees are required to prepare a statement of the principles governing investment decisions. Accordingly, the Trustees have prepared this document that describes their investment policies for the Watson-Marlow Defined Contribution Pension Plan ("the Plan").

1.2 The Trustees have consulted Watson-Marlow Limited ("the Employer") on the policies set out in this statement and will consult the Employer on any changes. However, the ultimate power and responsibility for deciding investment policies lies solely with the Trustees.

1.3 In preparing this document, the Trustees have obtained and considered written advice from the Plan's investment consultants, Towers Watson Limited ("Willis Towers Watson").

1.4 In addition, when preparing this statement and in conjunction with their investment consultants, the Trustees had regard to the requirements of Section 36 of the Pensions Act 1995, concerning the diversification and suitability of investments, and will consider those requirements when undertaking any review of this document or any change in their investment policies.

Financial Services and Markets Act 2000

1.5 In accordance with the Financial Services and Markets Act 2000, whilst the Trustees will set the Plan's general investment policy and will select the range of pooled investment funds in which members can invest, the selection of the specific investments held by each of the pooled investment funds selected by the Trustees will be delegated to each fund's appointed investment manager. In each instance, the appointed investment manager shall provide the skill and expertise necessary to manage the investments held.

1.6 Under Section 36 of the Pensions Act 1995, direct investment in such pooled investment funds are classed as retained investments and it is therefore the Trustees' policy to obtain appropriate written advice regarding the suitability of the Plan's pooled investment funds.

DC Code of Practice no. 13

1.7 When preparing this statement, the Trustees have considered the Pensions Regulator's DC Code of Practice No. 13 entitled *"*Governance and administration of occupational trust-based schemes providing money purchase benefits" ("the DC Code") and the accompanying 'how to guides'.

1.8 The DC Code sets out the legal requirements and expected standards of conduct and practice that the Pensions Regulator expects trustee boards of occupational pension schemes providing money purchase benefits to comply with in order to try and ensure good member outcomes. This document has been drafted taking account of the DC Code, specifically the recommendations relating to the content of statements of investment principles.

Plan details

1.9 The Plan operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries ("members"). The Plan provides a defined contribution pension arrangement for members where the benefits at retirement are determined by each member's accumulated assets within the Plan arising from contributions paid by both the members and the Employer as well as investment growth arising from the pooled investment fund(s) chosen by the members.

1.10 The Plan's assets are invested in a range of pooled investment funds via an insurance policy with Aviva Life and Pensions UK Ltd ("Aviva") and the Plan is therefore "wholly insured" for the purposes of regulation 8 of the Occupational Pension Scheme (Investment) Regulations 2005. The Trustees believe that this approach is in the best interests of the Plan's members but will periodically review this decision.

1.11 When choosing pooled investment funds from which members can select, the Trustees and each fund's investment manager (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Scheme (Investment) Regulations 2005 (as subsequently amended) and the principles contained in this statement.

Compliance with and review of this statement

1.12 The Trustees will refer to this document where necessary to ensure that they exercise their powers of investment in line with their policies set out in this statement.

1.13 The Trustees will review this statement, in consultation with their investment consultants, at least every three years, or without delay after any significant change in investment policy or change in legislation or regulatory guidance.

Section 2: Division of responsibilities

2.1 The Trustees have ultimate responsibility for decision-making on investment matters. In order to ensure that investment decisions are taken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustees delegate some of these responsibilities.

Trustees

2.2 The Trustees' investment responsibilities include:

- Reviewing and making changes to the content of this statement in consultation with the investment consultants and the Employer, and modifying it if deemed appropriate;
- Selecting the Plan's investment strategy, including agreeing the overall objectives for the investment options made available to members;

- Determining a default investment option for those members who do not choose their own investments and monitoring its continuing suitability and performance at least once every three years;

- Selecting the range of alternative (to the default investment option) pooled investment funds and investment options to be offered to members and monitoring their continuing suitability and performance;

- Approving relevant changes to the pooled investment funds and investment options, having taken advice from their investment consultants and consulted with the Employer;

- Monitoring compliance of the Plan's investment strategy with the policies set out in this statement.

2.3 The Trustees have reviewed the appointment of an investment committee and have decided to retain all investment governance within the full Trustee board for the time being, although the suitability of this arrangement will be reviewed from time to time. However, the Trustees recognise the need for appropriate, expert advice and they will seek regular training, and issue-specific advice, from their investment consultants as required.

Members

2.4 Members are responsible for:

- Keeping under review whether the default investment option is appropriate for them and if not, choosing to invest in the alternative pooled investment funds or investment options from the range provided by the Trustees;

- Reviewing their investment choices, along with their chosen level of contribution, from time to time to ensure they continue to meet their personal circumstances and retirement needs.

Administrators

2.5 The Plan is provided via a 'bundled' arrangement with Aviva under which it provides both administration services and the investment platform through which the Trustees can select pooled investment funds. In relation to its administration services, Aviva:

- Maintains accurate member records so that benefits can be paid accurately and on time;

- Allocates the contributions paid by the members and the Employer to each members' individual account as soon as practicable after receipt;

- Ensures that the Plan's pooled investment funds are priced correctly to the extent this is within its power to influence;

- Provides the Trustees with quarterly governance and investment performance reports for the pooled investment funds selected by the Trustees.

Investment Consultant

2.6 Following the publication of the CMA's final order (dated June 2019), the Trustees are required to set and keep under review strategic objectives for their investment consultants. Accordingly, the Trustees have agreed with their investment consultants that their primary strategic investment objectives (see also section 4 of this statement) for the Plan are to ensure that:

- Members have sufficient investment choices to satisfy their differing risk appetites and retirement goals;
- The Trustees' investment strategy (particularly the default investment option) remains appropriate as the membership of the Plan changes over time.

2.7 In order to help the Trustees meet their above objectives, their' investment consultants' responsibilities include:

- Supporting the Trustees in providing an appropriate range of investment options and pooled investment funds that enable members to tailor their own investment strategy to meet their own personal and financial circumstances;
- Undertaking a regular review (at least once every three years) of the Plan's default investment option to ensure that it remains appropriate for the Plan's membership;
- Assisting with the monitoring of the Plan's investment options and pooled investment funds and where agreed, assist with changes to the investment options, including the addition or replacement of pooled investment funds;
- Facilitating a review of the Trustees' investment governance arrangements as required;
- Supporting the Trustees on ad hoc investment matters as requested;
- Helping to maintain and providing advice consistent with this statement;
- Reflecting any Trustee specific investment beliefs and Plan specific circumstances in the advice provided.

Investment Managers

2.8 In relation to each pooled investment fund that is selected by the Trustees, the relevant underlying investment manager's responsibilities include:

- Making tactical asset allocation and security selection decisions in line with their pooled investment fund's prescribed benchmarks and/or performance objective;
- For passively manged pooled investment funds, tracking the allocated benchmark within acceptable tolerances;
- Informing the Trustees of any changes in their pooled investment fund's prescribed benchmark and/or performance objectives as soon as practicable;

- The independent safekeeping of the assets held by their pooled investment fund as well as the appropriate administration, including income collection and corporate actions.

Section 3: Relationship with investment managers

Incentivising investment managers

3.1 Alignment between an investment manager's management of a pooled investment fund selected by the Trustees and their policies and objectives is a fundamental part of the selection process of a new pooled investment fund and its investment manager. However, as the Plan only invests in pooled investment funds via Aviva, the Trustees cannot directly influence or incentivise each fund's investment managers to align the management of their fund with the Trustees' own policies and objectives as set out in this statement.

3.2 The Trustees will therefore seek to ensure that the investment objectives and guidelines of the pooled investment funds that are made available to members are consistent with their own policies and objectives. As part of this, the Trustees will seek to understand each fund's investment manager's approach to sustainable investment and corporate governance.

3.3 The Trustees are responsible for monitoring the pooled investment funds and their respective investment manager. As part of this, the Trustees will regularly provide each fund's investment manager with the most recent version of this statement to ensure the investment manager is aware of the Trustee's expectations regarding how the Plan's assets are being managed.

3.4 Should the Trustees' monitoring processes reveal that a pooled investment fund's objectives and guidelines, or the investment manager's approach to sustainable investment, do not appear to be sufficiently aligned with this statement, the Trustees will try and engage with the investment manager to the extent possible to ascertain the reasons for this and whether closer alignment can be achieved. If this is not possible, the Trustees may look to replace the pooled investment fund.

Duration of investment manager appointments

3.5 The Trustees generally invests with a focus on long-term outcomes and do not look to change pooled investment funds on a frequent basis (although they could be replaced in a shorter timeframe due to significant changes – see paragraph 3.9). Accordingly, through Aviva, the Trustees select pooled investment funds and the fund's investment manager with an expectation of a long-term partnership, which encourages active ownership of the Plan's assets.

3.6 For most of the Plan's pooled investment funds, the Trustees expect the fund's investment manager to invest with a medium to long time horizon. Therefore, when selecting pooled investment funds, the Trustees consider a variety of factors including the underlying investment manager's investment philosophy, and process, which the Trustees believe should include assessing the long term financial and non-financial performance of the companies in which the investment manager invests. The Trustees also consider the investment manager's voting and Environmental, Social and Governance policies and how it engages with the companies in which it invests as the Trustees believe that these factors can improve the medium to long-term performance of the pooled investment funds.

3.7 The Trustees monitor the investment managers' engagement and voting activity on an annual basis as they believe this can improve long term performance. The Trustees expect the investment manager to make every effort to engage with the companies in which it invests and they believe the annual fee paid to the investment managers incentivises them to do this. However, the Trustees acknowledge that the investment manager's influence may be limited in some asset classes, such as bonds, as they do not have voting rights. The Trustees also acknowledge that in the short term, these policies may not improve the returns achieved by the pooled investment fund, but do expect that by investing in companies with better financial and non-financial performance over the long term, the pooled investment fund will provide better returns for members of the Plan.

3.8 For any of the pooled investment funds, should the Trustees' monitoring processes reveal that an investment manager's decision-making or engagement falls short of these expectations, the Trustees will try and engage with the investment manager to the extent possible to understand why and how this can be resolved. If this is not possible, the Trustees may look to replace the pooled investment fund.

3.9 When assessing a pooled investment fund and its investment manager's performance, the focus is on longer-term outcomes, and the Trustees would not expect to replace a pooled investment fund based purely on short term performance. However, a pooled investment fund could be replaced within a shorter timeframe due to other factors, such as a significant change in its investment objectives or a change in the fund's investment manager or investment team.

3.10 The Trustees review the performance of each pooled investment fund quarterly compared to its benchmark on a net of fees basis.

Charges and costs

3.11 Investment managers are paid a fee expressed as a percentage of assets managed, in line with normal market practice, for a given scope of services, which includes consideration of long-term factors and engagement.

3.12 The Trustees review the charges and costs incurred in managing the Plan's assets on a regular basis, which includes the costs associated with portfolio turnover (transaction costs). The Trustees define portfolio turnover as the average turnover of the portfolio expected in the type of strategy the investment manager has been appointed to manager. In assessing the level of the portfolio turnover costs for a particular pooled investment fund, the Trustees will have regard to the portfolio turnover costs for other equivalent pooled investment funds.

Section 4: Trustees' objectives and managing risks

Trustees' objectives

4.1 The Trustees' primary investment objectives are to ensure that:

- They provide members of the Plan with a range of investment options and pooled investment funds to satisfy their differing risk appetites and retirement goals;

- Their overall investment strategy (particularly the default investment option) remains appropriate as the membership of the Plan changes over time.

4.2 The Trustees feel that meeting the above objectives will provide members with the opportunity to acquire assets of appropriate security and liquidity that will generate income and capital growth, which, together with new contributions from members and the Employer, will provide a fund at retirement with which to provide retirement benefits.

Managing risks

4.3 In determining which investment options and pooled investment funds to make available, the Trustees have considered the risks associated with providing pension benefits through a defined contribution pension scheme. In particular, the Trustees recognise that there is uncertainty in the ultimate amount available to each member to provide benefits on their retirement due to the following factors:

The level of contributions

The level of contributions paid and invested will depend on the Employer's decisions on the Plan's benefit design and the member's own decisions about the amount to save for retirement.

The length of time that contributions are invested

The length of time over which contributions are invested will affect both the level of benefits on a member's retirement and the uncertainty introduced by other factors. However, there is little control over the investment period since it is determined by each member's date of joining the Plan and their date of leaving or retirement.

A member's investment choice

Individual investment choices made by members will influence the level of benefits available on their retirement. Unless a member makes their own choice, their own and the Employer's contributions will be invested in the Plan's default investment option.

4.4 Whilst the Trustees recognise that the uncertainty inherent in the above three factors is not within their control, they seek to measure them by monitoring member choices and manage them through member education.

4.5 When deciding on the Plan's overall investment strategy, namely the number and range of investment options and pooled investment funds to be made available to members, the Trustees take into account the key risks faced by members of the Plan, being:

- inflation risk,
- capital risk,
- pension conversion risk, and
- missed opportunity risk.

4.6 The Trustees' view is that these risks can be managed by the members through the investment option or the pooled investment fund or funds in which they choose to invest. The Trustees have therefore provided a range of investment options and pooled investment funds which they believe allow members to manage these risks (although the Trustees accept that the degree to which each fund actually mitigates against the relevant risk is difficult to measure).

4.7 A summary of the risks and the investment options and pooled investment funds available to help members mitigate against these risks is provided below.

Inflation risk

The risk that investments do not provide a return at least in line with inflation, so that the 'purchasing power' of the member's pension savings available to provide benefits is not maintained at retirement.

The Trustees provide members with a choice of passively managed equity funds as a means of managing this risk as they are expected to produce returns in excess of rates of salary and price inflation in the medium to long term (although capital values may be highly volatile in the short term).

The default investment option is also designed to manage this risk by investing in a global equity fund whilst members are more than 10 years from their retirement age.

Capital risk

The risk that the monetary value of a member's account falls, particularly as the member approaches their retirement age.

The Trustees provide members with a choice of passively managed bond funds as these are expected to be less volatile than equities although in turn, they are also expected to produce lower returns in the medium to long term.

The default investment option is also designed to manage this risk during the 10 years immediately preceding a member's retirement age.

Pension conversion risk

The risk that, for those members wishing to provide a fixed pension (annuity) on retirement, the value of their pension savings does not reflect the changing cost of purchasing an annuity as they approach their retirement age.

The Trustees provide members with a choice of passively managed bond funds to manage this risk as the value of investments in these funds are expected to broadly move in line with the price of annuities, providing some protection to the 'purchasing power' of a member's account as they near retirement.

The default investment option is also designed to manage this risk during the 10 years immediately preceding a member's retirement age.

Missed opportunity risk

The risk that members do not take enough risks when they are able.

The Trustees provide members with a choice of passively managed equity funds as a means of managing this risk.

The default investment option is also designed to manage this risk by investing in a global equity fund whilst members are more than 10 years from their retirement age.

Section 5: Investment options for members

5.1 Based on the characteristics of the Plan, the Trustees' objectives and the risks faced by members (as described in Section 4), the Trustees have selected a range of investment options and pooled investment funds for members.

5.2 When selecting the range of investment options and pooled investment funds to be made available to members, the Trustees obtain advice from their investment consultants on whether any investment option or pooled investment fund is suitable (as required by the Pensions Act).

The default investment option

5.3 The default investment option is the 'Default 10 Year Lifestyle Investment Programme' ("the Default Option"). The overall objective of the Default Option is to provide those members who do not actively make their own investment choice with an investment strategy that aims to provide:

- Long term growth whilst a member is more than 10 years away from retirement and can accept a medium to high level of risk;
- A reduction in risk as a member nears retirement whilst at the same time providing some protection against adverse movements in annuity prices during the 10 years immediately preceding a member's retirement age.

The Default Option aims to achieve the above objectives by investing in a number of funds selected by the Trustees as outlined below (see also Appendix A).

- Investing wholly in global equities whilst a member is more than 10 years from retirement, split 30% in the UK and 70% overseas. During this period the global equities are passively managed by BlackRock and the return is expected to be in line with a composite benchmark of 30% FTSE All Share Midday Index, 60% FTSE Developed ex-UK Midday Index and 10% MSCI Emerging Markets Index.
- During the 10 years immediately before a member's Normal Retirement Date (age 65) or alternative selected retirement age, gradually switching from an investment in global equities to a mixture of long dated corporate bonds, UK government index-linked gilts and cash, so that on retirement a member is invested 25% in cash with the balance split equally between corporate bonds and UK government index-linked gilts. In relation to this phase of the Default Option:

- The corporate bonds are passively managed by BlackRock and the return is expected to be in line with the iBoxx £ Non-Gilts Over 15 Years Midday Index;
- The UK government index-linked gilts are passively managed by BlackRock and the return is expected to be in line with the FTSE Actuaries UK Index-Linked Over 5 Years Midday Index;
- Cash is managed by Aviva and the return is expected to be in line with the 7 Day London Interbank Bid Rate (LIBID).

5.4 The Trustees consider the above approach is currently in the best interests of those members investing in the default investment strategy because:

- It helps members manage inflation risk and missed opportunity risk whilst they are more than 10 years away from their retirement age;
- During the last review of the Default Option (in 2018), an analysis of the membership indicated that members of the Plan were most likely to purchase an annuity on retirement and the Default Option therefore helps members manage pension conversion risk during the 10 years leading up to their retirement age.

The alternative lifestyle option

5.5 Members have the option of investing in an alternative 10 Year Lifestyle Investment Programme. This lifestyle strategy mirrors the Default Option except that whilst members are more than 10 years from their retirement age, they are invested wholly in global equities, split 50% in the UK and 50% overseas. During this period the global equities are passively managed by BlackRock and the return is expected to be in line with a composite benchmark of 50% FTSE Custom All Share Midday Index, 17% FTSE Custom USA Midday Index, 17% FTSE Custom Developed Europe ex-UK Midday Index, 8% FTSE Custom Japan Midday Index and 8% FTSE Custom Developed Asia Pacific ex-Japan Midday Index.

The self-select fund range

5.6 The Trustees offer members a selection of pooled investment funds with the following underlying investment managers:

- BlackRock (via Aviva Investors investment funds); and
- Aviva Investors

5.7 The range of self-select pooled investment funds, including their objectives, benchmarks and expected returns, are shown in Appendix B.

The review of investment options

5.8 The range of investment options and pooled investment funds will be regularly reviewed.

The realisation of investments

5.9 Members' pension savings are held in pooled investment funds, with daily liquidity, through an insurance policy which can be realised to provide pension benefits on retirement, or earlier on transfer to another pension arrangement.

Section 6: Corporate governance and socially responsible investment

6.1 As part of the Trustees' management of risks and in consultation with their investment consultants, the Trustees consider all financial risks and opportunities, which are considered for materiality and impact, taking into account members' investment time horizons and objectives. Financially material factors include but are not limited to sustainable investment factors, such as those arising from Environmental, Social and Governance (ESG) considerations, including climate change.

6.2 The assets of the Plan are invested in pooled investment funds via Aviva, the Plan's administrators and investment platform provider. As such, the Trustees cannot directly influence ESG considerations in the selection, retention and realisation of each pooled investment fund's underlying investments. Consequently, the day to day management of the investments held by each of the pooled investment funds selected by the Trustees is delegated to each fund's investment manager and this includes consideration of all financially material factors, including ESG and climate change related issues where relevant.

6.3 In addition, the exercise of the Plan's corporate governance powers, including voting rights in relation to the companies in which the pooled investment funds invest as well as engagement activities in relation to the capital structure of investee companies, actual and potential conflicts of interest and the interests of other stakeholders, are delegated to and carried out by each fund's investment manager. However, the Trustees recognise the UK Stewardship Code as best practice and encourage Aviva and where possible, each fund's investment manager, to comply with this code or explain where they do not adhere to this policy.

6.4 When considering the selection of new pooled investment funds, and when reviewing existing pooled investment funds, the Trustees, together with their investment consultants, look to take account of the approach taken by the fund's investment manager with respect to sustainable investing, including voting policies and engagement where relevant.

6.5 At present, the Trustees do not explicitly take into account non-financial matters, such as the views' of members, in relation to the management of the Plan's assets.

Section 7: Review of statement

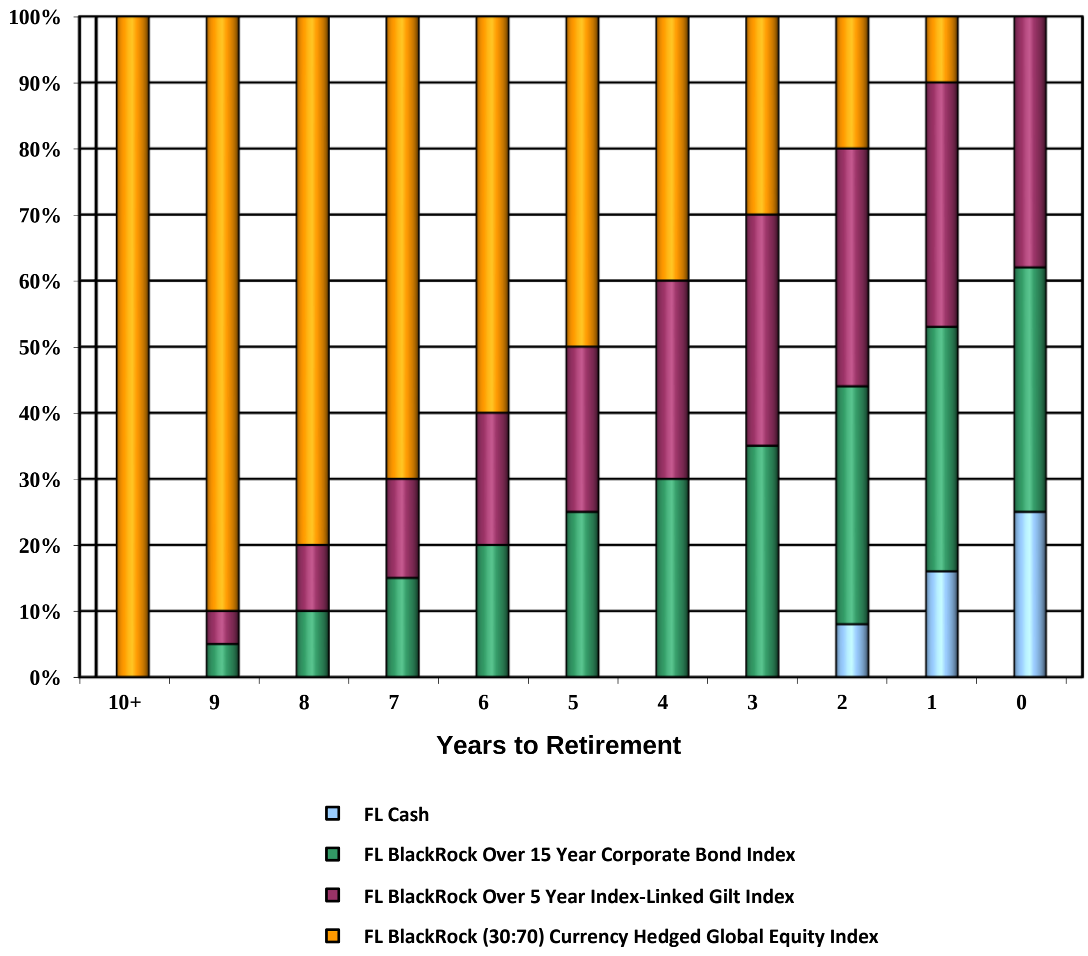
7.1 This statement will be reviewed regularly (at least every three years) but otherwise whenever the Trustees need to consider the implications of a major change. When undertaking a review, the Trustees take into account:

- Any change in the Employer or benefits provided by the Plan;
- Any significant change in the Plan's membership;

- Significant changes to the expected long-term trade-off between risk and reward on key asset classes;
- Any major development in available pooled investment funds or products;
- Any shortcomings of this statement that emerge in its practical application;
- Any significant change in the Trustees' investment policy or objectives,
- Applicable changes in legislation or regulatory guidance.

Appendix A: Default option

The matrix for the Default 10 Year Lifestyle Investment Programme is provided below: The chart shows the percentage distribution of a member's investment between the component funds at various time periods from the member's selected retirement age.



Appendix B: Self-select fund range

Fund	Investment Manager	Typically invests in	Objective and expected return	Benchmark	Annual charge*
Equity funds					
AP BlackRock (30:70) Currency Hedged Global Equity Index	BlackRock	30% UK equities 60% overseas equities split between US, Japan, Europe (ex UK) and 10% Asia Pacific and Emerging Markets	Aims to track and therefore provide a return within acceptable tolerances of its benchmark	Composite	0.63%
AP BlackRock (50:50) Global Equity Index	BlackRock	50% UK equities 50% overseas equities split between US, Japan, Europe (ex UK), Emerging Markets and Asia Pacific	Aims to track and therefore provide a return within acceptable tolerances of its benchmark	Composite	0.6%
AP BlackRock UK Equity Index	BlackRock	100% UK equities	Aims to track and therefore provide a return within acceptable tolerances of its benchmark	FTSE Custom All-Share Midday Index	0.6%
AP BlackRock World (ex UK) Equity Index	BlackRock	100% overseas equities split between US, Japan, Europe and Asia Pacific	Aims to track and therefore provide a return within acceptable tolerances of its benchmark	FTSE Custom Developed ex-UK Midday Index	0.6%

Fund	Investment Manager	Typically invests in	Objective and expected return	Benchmark	Annual charge*
Bond funds					
AP BlackRock Over 15 Year Gilt Index	BlackRock	100% long dated UK government bonds	Aims to track and therefore provide a return within acceptable tolerances of its benchmark	FTSE Actuaries UK Conventional Gilts Over 15 Years Midday Index	0.6%
AP BlackRock Over 5 Year Index-Linked Gilt Index	BlackRock	100% over 5-year UK government index-linked bonds	Aims to track and therefore provide a return within acceptable tolerances of its benchmark	FTSE Actuaries UK Index-Linked Over 5 Years Midday Index	0.6%
AP BlackRock Over 15 Year Corporate Bond Index	BlackRock	100% long dated corporate bonds	Aims to track and therefore provide a return within acceptable tolerances of its benchmark	iBOXX £ Non-Gilts Over 15 Year Midday Index	0.6%
Cash funds					
AP Cash	Aviva Investors	100% cash	Aims to provide short-term liquidity by investing in money market instruments, bonds and cash	7-day LIBID	0.6%

* includes additional expenses