Fugro Holdings Limited Pension and Death Benefit Scheme – DC Section
Statement of Investment Principles

Introduction

The law requires the Trustee to produce formal "Statement of Investment Principles" for the Scheme's default option and its other investment options. These Statements set out what the Trustee aims to achieve with the investment options and their investment policies which guide how members' money is invested.

This document is a compendium of the Statements of Investment Principles for the Fugro Holdings Limited Pension and Death Benefit Scheme – DC Section (the "Scheme."). These Statements must cover a number of technical points in order to comply with legislation as well as meet the expectations of The Pensions Regulator and needs of the Scheme's Auditors, which we have as far as possible shown separately in "for the record" boxes.

The Trustee will publish the Statements of Investment Principles online.

Statements of Investment Principles

The Trustee's Statements of Investment Principles contained in this document include the following:

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

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

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

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

The Statement of Investment Principles for the Scheme's default arrangement *** comprises items 1 and 2.

Appendices

A. Investment implementation for the default arrangement;

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

C. Summary of the approach to investment governance; and

D. Summary of the Scheme's service providers.

For the record

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

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

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

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

For and on behalf of the Trustee of the Scheme

This Statement of Investment Principles was completed in September 2020. It will be reviewed no later than September 2023 or when a material change has been made to the arrangement.

Name	Signed	Date

1 Statement of investment beliefs, risks and policies

Introduction

This Statement sets out the general investment beliefs and policies which guide the Trustee's decision making.

For the record

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

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

Investment Risks

Principal risks

The Trustee believes that the three main investment risks most members will face are:

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

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

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

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

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

For members approaching retirement, the default cash lifestyle option and alternative lifestyle options increasingly invest in funds which are expected to subject to lower levels of short-term fluctuations in values - although there may be occasions when this does not hold good.

Other investment risks

The Trustee believes that other potential investment risks members may face include:

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

The Trustee, in conjunction with the Scheme's investment managers manages counterparty risk by investing in pooled funds that offer suitable counterparty protection where relevant.

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

The Trustee recognises that an actively managed fund may not deliver performance in line with the fund's objectives / agreed benchmarks. Index-tracking funds are used where possible and the Trustee regularly monitors fund performance in order to monitor this risk.

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

The Trustee is satisfied that the pooled funds in which they invest mostly have sufficient liquidity and may be realised quickly if required.

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

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

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

Factor-based investing – equity investments may show several factors (supported by academic research) that may be expected to deliver stronger returns over the longer-term, but which may show increased risks (including timing) in the shorter-term.

ESG risk – the extent to which environmental, social and governance ("ESG") issues are not reflected in asset prices and / or not considered in investment decision making can impact the financial performance of a fund's underlying assets leading to poorer investment returns or underperformance relative to expectations.

Governance risk – the risk that asset managers do not undertake good stewardship and positive engagement in relation to the assets held.

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

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

Climate risk - The extent to which climate change causes a material deterioration in asset values as a consequence of factors including, but not limited to: policy change, physical impacts and the expected transition to a low-carbon economy. **Legislative / regulatory** - Changes in government policy or taxation may have a long-term positive or negative impact on certain sectors of a country's economy or one country relative to its neighbours over the medium to longer-term. Changes in Regulations can also affect the operational costs, tax efficiency and security of one investment vehicle relative to other vehicles over the shorter-term.

Managing investment risks

The lifestyle options manage the three main investment risks as members grow older by automatically switching from funds which are expected to give long-term growth relative to inflation into funds whose values should fluctuate less in the short-term relative to the benefits members are expected to take at retirement. The self-select fund range provides members with a choice of funds with differing risk and return characteristics.

The Trustee manages the other investment risks as part of the process for selecting and ongoing monitoring of the funds used by the Scheme. The funds used give a good spread of investments which will help manage risks associated with market conditions. The Trustee believes that the Scheme's investment options are appropriate for managing the risks typically faced by members. The Trustee monitors governance risk and will report on the managers' practices in their annual Implementation Statement.

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

Time horizon
The Trustee monitors the age profile of the Scheme's membership to arrive at an appropriate investment horizon for different groups of members when considering all investment and financially material risks. The Scheme is open to new entrants and as a result, investment risks need to be considered over the duration of their time with the Scheme.

Expected returns on investments

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

Asset class	Expected long-term investment returns relative to inflation	Expected shorter- term volatility in fund values
Equities (i.e. company shares)	Strong return relative to inflation	Most volatile in the short-term
Property (e.g. offices, shops and warehouses)	Positive, but lower than equities	Lower than equities
Corporate Bonds (i.e. loan stocks issued by companies)	Positive, but lower than equities and property	Lower than equities or property
Fixed Interest Government Bonds (e.g. UK Gilts)	Positive, but lower than equities, property or corporate bonds	Lower than equities, property or corporate bonds
Index-Linked Government Bonds (e.g. UK Index-Linked Gilts	In line with inflation	Lower than equities, property or corporate bonds
Cash (and other short-term interest bearing investments)	Return may not keep pace with inflation	Minimal with high degree (but not complete) of capital security

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

Multi-asset funds – invest in a varying mix of asset classes which should deliver positive returns relative to inflation over the longer-term, with shorter-term volatility lower than equities.

Diversified Growth Funds – invest in a varying mix of asset classes with an objective of delivering a target level of positive returns relative to inflation over the longer-term, with a target level of shorter-term volatility lower than equities.

Investment beliefs

The Trustee's investment decisions are made in the context of their investment beliefs that:

- Managing the main investment risks is the most important driver of good long-term member outcomes;
- Investment markets may not always behave in line with long-term expectations during the shorter-term;

- Taking investment risk is usually rewarded in the long term;
- Investment risks can be reduced by spreading investments both within and across asset classes;
- Actively managed funds, where the manager chooses where to invest, may not always deliver the expected investment returns in the shorter-term;
- Passively managed funds, whose returns are intended to track a market index, may produce investment returns more efficiently than actively managed funds in some markets;
- As the Scheme invests for the long-term, environmental, social and governance factors will have a bearing on the funds' expected levels of risk and return;
- Charges and costs (levied by fund managers and platform providers) can have a material effect on net return;
- ESG issues will be financially material to risk-adjusted returns over the long term;
- Climate change is a material financial risk, particularly to younger members; and
- Active stewardship can support positive engagement with members.

Types of funds used

The Scheme uses funds provided through an investment platform. This investment platform in turn invest its funds in funds provided by a selection of fund managers where investments are pooled with other investors. This enables the Scheme to invest in a range of funds giving a good spread of investments in a cost-effective manner. It does mean that the Trustee has delegated day to day investment decisions, including the management of financially material considerations, to the provider, who has in turn delegated these investment decisions to the fund managers.

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

Investments Held

The Scheme invests through pooled funds considered appropriate for tax-exempt approved occupational pension schemes. These funds may invest in:

- Quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index-linked bonds, cash commercial and residential property;
- Infrastructure and commodities through collective investment vehicles;
- Exchange traded funds to gain access to less easily traded and illiquid asset classes; and
- Derivatives mainly to facilitate changes in the fund's portfolio of assets or help mitigate investment risks or to enhance investment returns.

The default cash lifestyle option and alternative lifestyle options use funds across a range of asset classes and across the risk/reward spectrum. The self-select fund range offers members a choice of funds across a range of asset classes and across the risk/reward spectrum.

The Trustee believes that both active and passive management have a place in defined contribution arrangements. Some asset classes or investment approaches (such as property, cash and diversified growth strategies) are only available as actively managed funds.

The Trustee considers that all of the stated asset classes are suitable investments for the Scheme, while the use of pooled funds enables a balance of investments to be held at security level within each asset class or fund.

Selection of funds

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

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

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

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

Manager incentives

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

Nevertheless, the Trustee expects that it will be in the interests of both the platform provider and the investment managers on the provider's platform to produce growth in asset values in line with the funds' investment objectives.

For passively managed funds this should be within an acceptable margin of the index the fund tracks. For actively managed funds the investment return should be commensurate with the level of investment risk implied by the fund's objectives

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

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

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

The Trustee monitors the investment managers against a series of metrics on a quarterly basis over a long-term time horizon including:

- Performance of their funds' respective benchmarks/targets;
- Relative tracking error where appropriate;
- The exercise of stewardship responsibilities (including engagement with issuers); and
- The management of risks.

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

Portfolio turnover

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

For passively managed funds the turnover of holdings is driven by changes in the index a fund seeks to track and hence is outside the control of the investment manager.

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

Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee will ask the investment platform provider or investment managers on the platform to report on a periodic basis on the underlying assets held within fund with details of any transactions and turnover costs incurred over the Scheme's reporting year.

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

Portfolio duration

The Trustee recognises the long-term nature of defined contribution pension investments and chooses funds which are expected to deliver sustainable returns over the Scheme members' investment horizon.

The Trustee will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the objectives for the related investment option.

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

Security of assets

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

The underlying funds used by the provider's platform may be accessed through reassurance agreements / unit purchase agreements / segregated investment mandates. In the event of a fund manager getting into financial difficulties, the values in these underlying funds will depend upon the nature of the contract with the platform

Realisation of investments

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

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

Creation of alternative / inadvertent / temporary default arrangements

The Trustee recognises that it is important that members' contributions can be invested promptly in selected investment funds, and that these can be sold promptly for example when members wish to change where they are invested, transfer to another arrangement or if they wish to draw on their pension pot. The Trustee manages this risk by selecting pooled investment funds which can be dealt on a daily basis. The platform provider is responsible for monitoring the ability for members to invest and disinvest promptly and is expected to notify the Trustee if a situation develops whereby there is any restriction on the ability for members to do so. For example, this situation could occur in the event of significant economic uncertainty impacting on the ability for fund managers to value the underlying assets.

In some circumstances this may result in monies being invested in or transferred to an alternative fund without a member's consent (such as fund suspensions) which may result in funds other than the default option being deemed as "default" investment arrangements for the purposes of the Occupational Pension Schemes (Charges and Governance) Regulations 2015. A default arrangement is protected by the charge cap so that member charges for that arrangement do not exceed 0.75% p.a. Where a fund becomes a "default arrangement" for these purposes, the Trustee will apply the principles set out in this SIP in respect of the default option to the extent they are relevant to the fund. Further details are out in Appendix 1 in respect of any funds which have become "default arrangement" for these purposes.

Balance of investments

The Trustee reviews the nature of the Scheme's investment options on a regular basis, with particular reference to suitability and diversification. The Trustee considers written advice from a suitably qualified person when determining the appropriateness of each investment manager and fund for the Scheme, particularly in relation to diversification, risk, expected return and liquidity.

Overall, the Trustee's intention is that the Scheme's investment options:

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

Diversification

Given the size and nature of the Scheme, the Trustee invests on a pooled fund basis, which is undertaken through a 'platform provider', thereby enabling fund switches to be undertaken at no or minimal costs. The investment managers are expected to maintain diversified portfolios. Subject to the funds' benchmarks and guidelines, the investment managers are given full discretion over the choice of securities and, for multi-asset funds, of asset classes.

The Trustee is satisfied that the range of funds used by the Scheme provides adequate diversification within and across asset classes.

Member attitude to risk

The Trustee recognises that:

- Members have differing investment needs and that these needs change during the course of their working lives; and
- Attitudes to investment risks, and the need for investment returns, will vary from member to member and will also vary for each member over time, in particular as they approach retirement.

As a result, the Trustee believes that a range of investment options should be offered to members.

The Trustee believes it is in the best interests of members to offer a default option which manages the principal investment risks members face during their membership of the Scheme. The default option should therefore be a lifestyle strategy which the Trustee believes is broadly appropriate to the needs of a majority of the membership.

Member benefit choices at retirement

Members have a choice at retirement of:

- Taking cash at retirement;
- Taking Uncrystallised Funds Pension Lump Sums ("UFPLS") for several years into retirement;
- Using Flexible Access Income Drawdown ("FAD") during their retirement; or
- Buying an annuity at retirement or several years into their retirement.

A member can take cash or UFPLS from the Scheme at retirement, but the other options will require them transferring their pot to an arrangement outside of the Scheme after retirement.

The Trustee believes that members' choices of benefits at retirement will be strongly influenced by:

- The size of their DC pot in the Scheme;
- The size of their deferred benefits from other occupational pension schemes (especially defined benefits) and workplace group personal pension plans;
- Their State Pension retirement date;
- Other sources of income including non-pension savings and partner's pension provision.

Consideration of financially material factors in investment arrangements

The Trustee recognises that the consideration of financially material factors over the appropriate time horizon of the investments, including ESG factors and climate risk, is relevant in both the strategic development and implementation of the investment arrangements. The Trustee further recognises that the financial materiality of any factor, including ESG factors and climate risk, is context specific and that whilst some factors may be relevant to certain stocks/assets, they may not be relevant to others. The Trustee will consider such factors in the development and implementation of their investment arrangements, for the purposes of determining the selection, retention and realisation of investments, where there is sufficient data or evidence to allow them to systematically do so. Where there is not sufficient data or evidence, they will engage with their investment managers take such considerations into account with their decision making. The Trustee will develop and maintain a framework for assessing the impact of all investment risks on long-term investment returns. As part of this, the Trustee monitors the age profile of the Scheme's membership to arrive at an appropriate investment time horizon.

Implementation

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

- Engaging with the investment platform provider to adopt effective processes for the selection and governance of fund managers' policies and practices for financially material considerations including climate change;
- Considering the extent to which ESG issues including climate risk, where relevant, are integrated into the fund managers' investment processes;
- For actively managed funds (where the fund manager decides where to invest), expect the fund managers to take financially material considerations into account when selecting which companies and markets to invest in;
- For passively managed funds, the Trustee recognises that the choice of benchmark dictates the assets held by each fund and that the investment manager has minimal freedom to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive manager is to deliver returns in line with the benchmark index (which may or may not include ESG factors) and which the Trustee believes will deliver appropriate risk adjusted returns in line with their current investment strategy. The Trustee will review periodically the choice of fund and index benchmarks used;
- For all funds, encourage fund managers to engage with companies in which the fund invests to encourage business strategies which should improve or protect the value of those investments; and
- Taking into account whether the Scheme's investment managers are signatories to the UN backed PRI and UK Stewardship Code (or equivalent).

Strategic considerations

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

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

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

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

Selecting investment managers

Within active mandates, the Trustee has delegated responsibility for the consideration of stock specific issues to their individual Investment Managers. The Trustee has discussed the extent to which ESG issues, where relevant to the investment mandate, are integrated into the investment processes of their Investment Managers and are satisfied that the Investment Managers are following an approach which takes account of all financially material factors.

In passive mandates, the Trustee recognises that the choice of benchmark dictates the assets held by the investment manager and that the manager has minimal freedom to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive manager is to deliver returns in line with the benchmark and believe the choice of benchmarks will deliver appropriate risk adjusted returns. The Trustee will review the index benchmarks employed for the Scheme on at least a triennial basis.

In selecting new investment managers for the Scheme, where relevant to the investment mandate, the Trustee explicitly considers potential managers' approach to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision making, where relevant.

At this time, the Trustee has not made explicit allowance for climate change within the development or implementation of its investment strategy.

The Trustee will discuss the potential impact of climate risks with its adviser when reviewing the investment strategy, and with managers on a periodic basis and will monitor developments in this area including the availability of solutions to mitigate climate-related risks.

Consideration of non-financially material factors in investment arrangements

The Trustee recognises that some members will have strong personal views or religious convictions that influence where they believe their savings should, or should not, be invested.

While the Trustee will bear members' views in mind when reviewing the suitability of the Scheme's investment options and choice of funds used, the Trustee will not be bound by the members' views (for instance where it is uneconomic or impracticable to do so).

Furthermore, the Trustee notes that a large majority of members have not made active investment choices and so the Trustee believes that most members are unlikely to have strong views on where their savings are invested.

The Trustee has not imposed any restrictions or exclusions to the default investment arrangements based on non-financially material factors. The Trustee does however make available an ethical equity fund within the self-select range for members who are likely to hold stronger views in these areas than the majority of members. This fund takes into account non-financial factors into the investment process and can be used by any member.

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

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

Stewardship

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

Members' financial interests

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

Conflicts of interest

When appointing or monitoring platform providers andinvestment managers’ funds on the provider’s platform, the Trustee will seek independent advice from the Scheme’s investment consultants. In addition, the Trustee expects that that the platform provider and each investment manager has an appropriate conflicts of interest policy in place. This includes any provisions to disclose any potential or actual conflict of interest to the Trustee.

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

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

Voting and engagement

The Trustee has adopted a policy of delegating voting decisions on stocks to their Investment Managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The Investment Managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

The Trustee does not engage directly but believes it is sometimes appropriate for its investment managers to engage with key stakeholders which may including corporate management, regulators and governance bodies, relating to their investments in order to improve corporate behaviours, improve performance and mitigate financial risks. The Trustee will review engagement activity undertaken by their investment managers as part of its broader monitoring activity.

The Trustee will periodically review the voting and engagement policies of the fund managers as well as the approach to governance of the investment platform provider to determine that these policies are appropriate. On an annual basis, the Trustee will request their Investment Managers provide details of any change in their house policy.

The Trustee will request, where appropriate and practicable, that the platform provider or investment managers notify the Trustee of any issue on which it may be beneficial for the Trustee to undertake further engagement.

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

The Trustee expects the investment platform provider to adopt similar practices with regards to the inclusion and ongoing oversight of fund managers on their platform. The Trustee also expects the platform provider to be able to evidence their own governance practices on request. The Trustee will consider the platform provider’s practices on the oversight of and engagement with the investment managers on its platform when reviewing the appointment of platform provider.

Monitoring

The Trustee expects the platform provider to monitor adherence of their investment managers to stated voting and engagement policies, engage with managers where concerns are identified and to report on these issues.

Investment Managers report on voting activity to the Trustee on a periodic basis. The Trustee will monitor Investment Managers voting activity and may periodically review managers voting patterns. The Trustee may also monitor Investment Managers’ voting on particular companies or issues affecting more than one company.

The Trustee reviews manager voting activity on a periodic basis in conjunction with their investment adviser and use this information as a basis for discussion and challenge with their investment managers. The Trustee currently meets with key investment managers at least once per year.

Where the Trustee deems it appropriate, any issues of concern will be raised with the manager for further explanation. Managers are challenged both directly by the Trustee and by their investment advisers on the impact of any significant issues including shareholder voting record, conflicts of interests and, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

2 Statement of the aims and objectives for the default arrangement

Reasons for the Default Option

The Trustee has decided that the Scheme should have a default investment option because:

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

The Trustee acknowledges the difficulty in setting a perfect Default Option to satisfy all members but believes as an approach it is the most suitable way to ensure good retirement outcomes for members who do not make an active decision.

Choosing the Default Option

The Trustee believes that understanding the Scheme's membership is essential to designing and maintaining a Default Option which meets the needs of the majority of members.

The Trustee has taken into account a number of aspects of the Scheme's membership including:

- The age and salary profile;
- The likely sizes of pension pots at retirement and;
- The likely return on investment after the deduction of charges payable on the funds used by the Default Option

The Trustee believes that a typical member, without significant sources of income outside the Scheme, could be expected to act mostly as follows:

- Small pots – would be fully taken as cash;
- Medium sized pots – would be taken as uncrystallised funds pension lump sum (UFPLS) over several years in retirement although some may use part of their DC pot to buy an annuity;
- Larger pots – would be taken as Tax Free Cash at retirement and Flexi-Access Drawdown during retirement although some may use part of their DC pot to buy an annuity at, or some years into, retirement.

The Trustee believes that it is in the best interests of members to have a Default Option that targets the method by which the majority of members are expected to take retirement benefits.

Objectives for the Default Option

The main objective of the Default Option is to provide good member outcomes at retirement.

The Trustee believes that it is in the best interests of the majority of members to offer a Default Option which:

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

The Default Option

The Trustee believes that on average current pot sizes are ‘small’ and given this the majority of members are likely to take cash at retirement. The Trustee expects this to change over time and will keep the situation under regular review.

The default lifestyle strategy gradually moves investments between different funds to manage the levels of expected investment risks and returns at each stage of membership of the Scheme.

The expected levels of investment returns (after the deduction of charges) and risks for the funds used are consistent with the Trustee’s objectives for the default option. The expected investment returns and approach to managing investment risks including financially material considerations such as climate change are described in Section 1.

Full details of the current default option are provided in the document “Investment implementation for the default arrangement”.

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

Reasons for the investment options

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

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

Choosing the investment options

Membership analysis

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

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

This information is used to guide whether there are members with specific investments needs that require a special focus through particular investment options. For example, young members are expected to have on average higher risk preferences due to their long-time horizons. Another example would be that members with large pension pots are expected to value flexibility, a wider range of investment options and the ability of assets to generate income in retirement.

Costs of investment options

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

Objectives for the investment options

The Scheme offers members the following choices of investment options as an alternative to the default option:

Alternative lifestyle options

The main objectives of the alternative lifestyle options are to:

- Manage the main investment risks members' face during their membership of the Scheme;
- Give good member outcomes at retirement by maximising investment returns relative to the rate of inflation while taking an appropriate level of risk; and
- Give further choice for members who feel that the Scheme's default option is not appropriate to their needs, but do not otherwise want to be involved in deciding where their contributions are invested.

The alternative lifestyle options also give members a choice (compared to the default option) of:

- Higher and/or lower levels of investment risk/return; and
- Income Drawdown during retirement or buying an annuity at retirement.

Self-select funds

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

- Provide a choice of individual funds for members who want to more closely involved in choosing where their pension pot is invested;
- Complement the objectives of the Default Option and the alternative lifestyle options;
- Provide a broader choice of levels of investment risk and return;
- Provide a broader choice of investment approaches including ethical and faith based funds; and
- Help members more closely tailor how their pension pot is invested to their personal needs and attitude to risk.

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

The expected levels of investment returns (after the deduction of charges) and risks for the funds used are consistent with the Trustee's objectives for these investment options. The expected investment returns and approach to managing investment risks including financially material considerations such as climate change are described in Section 1.

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

For the record

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

Funds are chosen by the Trustee to give an expected level of return with an appropriate level of investment risk which meets the objectives of each investment option.

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

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

Equities (company shares); Fixed interest and index-linked bonds issued by governments and companies; Cash and other short-term interest bearing deposits; Commercial and residential property; Infrastructure and commodities through collective investment vehicles; and Derivatives to facilitate changes in where funds are invested or to help control investment risks.

Funds provided through a life insurance company must comply with the Financial Conduct Authority (“FCA”) “Permitted Links” rules, which place limits on the degree of leverage a fund can use. Fund managers using other fund vehicles subject to the European “UCITS IV” and the FCA’s “Non-UCITS” regulations have to meet requirements on the security and concentrations of assets.

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

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

Appendix A

Investment implementation for the default arrangement

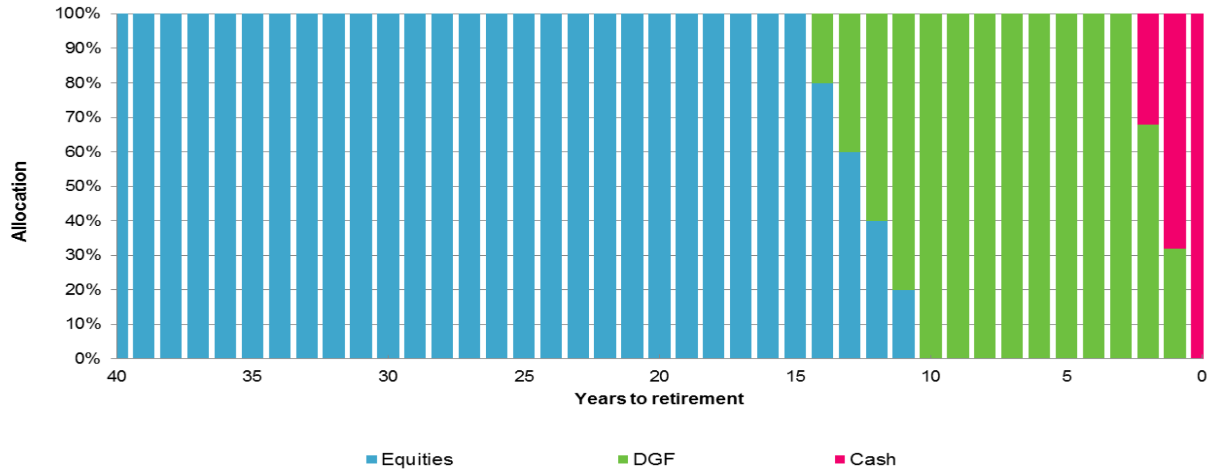
Default option

The default option is a lifestyle strategy which targets cash at retirement.

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

Members are gradually switched into funds which are expected to give good returns relative to inflation while consolidating past investment gains up until 3 years before their selected retirement date.

Finally, members are automatically switched into cash during the last 3 years up to their selected retirement date.



Fund allocation

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

Years to retirement	Equities %	DGF %	Cash %
15 or more	100	0	0
14	80	20	0
13	60	40	0
12	40	60	0
11	20	80	0
10 - 3	0	100	0
3	0	100	0
2	0	68	32
1	0	32	68
0	0	0	100

Rebalancing between these funds takes place on a quarterly basis.

Funds and charges

The funds used by the default option and their charges (expressed as a Total Expense Ratio ("TER")) as at May 2020 are:

Platform Fund	Underlying fund	TER %
Equities	50% BlackRock DC World Multifactor Equity Tracker Fund 50% BlackRock DC Aquila MSCI World Index Fund	0.32
DGF	BlackRock Dynamic Allocation Fund	0.45
Cash	BlackRock DC Cash Fund	0.23

Members in the default option will see TERs range from 0.23% to 0.45%.

Inadvertent default option

In March 2020, the trading in the Property Fund was suspended, and contributions which would have been invested in this fund were redirected to the Cash Fund. The funds and charges used by the inadvertent default options are:

Platform Fund	Underlying fund	TER % as at May 2020
Cash	BlackRock DC Cash Fund	0.23

Investment costs

Fund charges

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

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

Transaction costs

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

Review

The present default option was introduced on 02 February 2016.

Appendix B
Investment implementation for investment options outside the default arrangement

Lifestyle options

The Scheme offers members a choice of alternative lifestyle options as an alternative to the default option.

Objective

While the default lifestyle option targets cash at retirement with a lower overall level of expected investment risk, the alternative lifestyle options target /income drawdown/annuity purchase at retirement with an intermediate/higher overall level of expected investment risk.

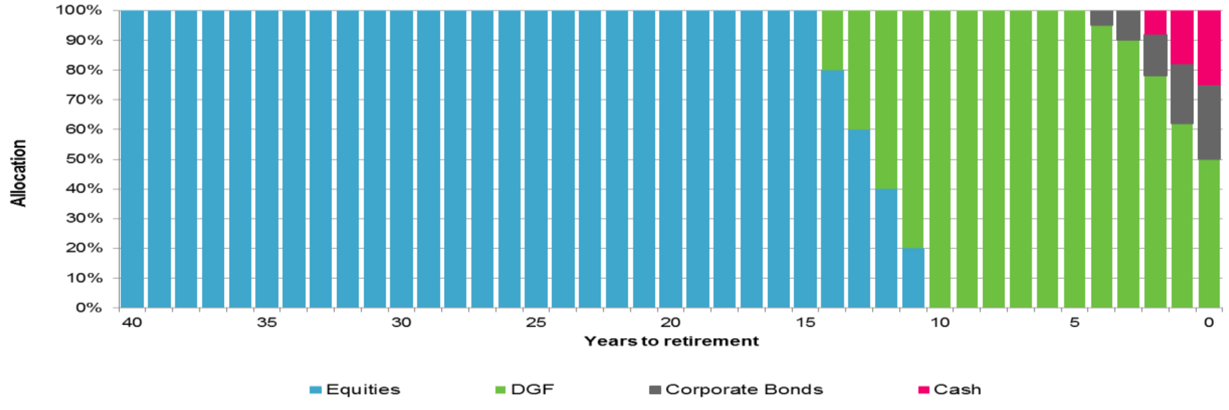
Approach

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

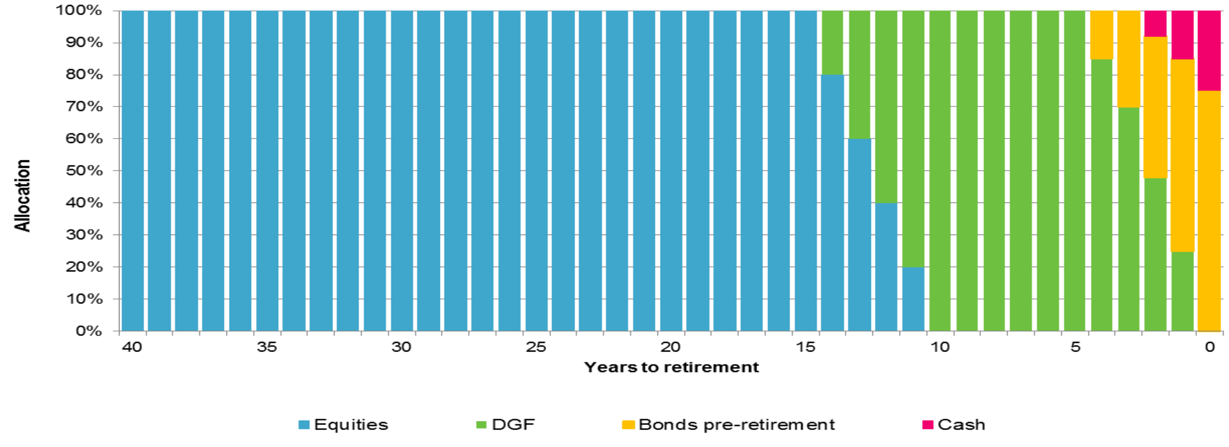
Members are gradually switched into funds which are expected to give good returns relative to inflation while consolidating past investment gains between 15 and 5 years before their selected retirement date.

Finally, members are automatically switched into funds that align to their expected retirement choices during the last 5 years up to their selected retirement date.

Income drawdown alternative lifestyle option



Annuity alternative lifestyle option



Fund allocation

The allocation to each fund in the alternative lifestyle options at yearly intervals up to a member's selected retirement date are:

Income drawdown alternative lifestyle option

Years to retirement	Equities %	DGF %	Corporate Bonds %	Cash %
15 or more	100	0	0	0
14	80	20	0	0
13	60	40	0	0
12	40	60	0	0
11	20	80	0	0
10 - 6	0	100	0	0
5	0	100	0	0
4	0	95	5	0
3	0	90	10	0
2	0	78	14	8
1	0	62	20	18
0	0	50	25	25

Annuity alternative lifestyle option

Years to retirement	Equities %	DGF %	Bonds Pre-Retirement %	Cash %
15 or more	100	0	0	0
14	80	20	0	0
13	60	40	0	0
12	40	60	0	0
11	20	80	0	0
10 - 6	0	100	0	0
5	0	100	0	0
4	0	85	15	0
3	0	70	30	0
2	0	48	44	8
1	0	25	60	15
0	0	0	75	25

Rebalancing between these funds takes place on a quarterly basis.

Funds and charges

Members can select their own target retirement age for the default cash lifestyle option and alternative lifestyle options, failing which the target age of the option defaults to age 65.

Funds used in the default option and alternative lifestyle options

Asset Class	Fund manager	Fund name	Objective	Benchmark	Total Expense Ratio (%) as at May 2020
Equity (50:50 allocation in lifestyle growth phase)	BlackRock	DC World Multifactor Equity Tracker Fund	To track the index	MSCI World Diversified Multiple-Factor Index	0.38
	BlackRock	DC Aquila MSCI World Index Fund	To track the index	MSCI World Index	0.26
Diversified Growth	BlackRock	Dynamic Allocation Fund	Generate returns of BoE base rate + 3% with around half the volatility of global equities	3 month GBP LIBOR	0.45
Bonds	BlackRock	DC Aquila Over 15 Year Corporate Bond Index Fund	To track the corporate bond benchmark index	iBoxx £ Non-Gilts Over 15 Years Index	0.23
Bonds	Legal and General	Pre-Retirement Fund	To track the bond benchmark which has been designed to broadly match changes in annuity prices	Composite of gilts and corporate bond funds.	0.30
Cash	BlackRock	DC Cash Fund	To match the cash benchmark and protect capital	7 Day LIBID Rate	0.23

Additional self-select fund range

Members can choose to self-select investment funds across a range of asset classes and investment styles. Members can allocate between any of the funds used in the lifestyle options (above) and the following funds:

Asset Class	Fund manager	Fund name	Objective	Benchmark	Total Expense Ratio (%) as at May 2020
Equity	BlackRock	DC Aquila UK Equity Index Fund	To track the UK equity benchmark index	FTSE All Share Index	0.26
Equity	BlackRock	DC Aquila Emerging Markets Equity Index Fund	To track the emerging market equity benchmark index	MSCI Global Emerging Markets Index	0.36
Equity	HSBC	Islamic Global Equity Index Fund (previously Amanah Global Equity Index Fund)	To track the equity benchmark index which has been designed to invest in accordance with Shariah law	Dow Jones Islamic Titans 100 Index	0.50
Equity	Legal and General	Ethical Global Equity Index	To track the equity benchmark index which has been designed to invest in accordance with ethical considerations	FTSE4GOOD Global Equity Index	0.50
Property	BlackRock	DC Property Fund	Generate property returns in excess of the benchmark index	IPD All Balanced Property Funds Index	0.80
Bonds	BlackRock	DC Aquila Over 5 Year Index-Linked Gilts Index Fund	To track the benchmark index	FTSE UK Gilts Index-Linked Over 5 Years Index	0.21

All the funds used by the default cash lifestyle option, alternative lifestyle options and self-select funds are provided through an investment platform operated by BlackRock.

Fund charges

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

Transaction costs

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

Review

The present alternative lifestyle options and self-select fund range were introduced on 02 February 2016.

Reverse switching

If a member who is invested in the default cash lifestyle option or one of the alternative lifestyle options decides to change their target retirement age, their investment strategy will be amended in line with the new retirement date.

Lifestyle rebalancing

The Platform Provider will rebalance members' fund allocations quarterly in accordance with their chosen lifestyle option.

Use of options

Members can contribute to the alternative lifestyle options and self-select funds at the same time.

Appendix C

Summary of the approach to investment governance

For the record

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

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

Exercising the Trustee's Powers

The Trustee will always act in the best interests of the members.

The Trustee has delegated day-to-day work on the Scheme's administration and investments. The current service providers to the Scheme together with how they are paid is set out in Appendix D.

Conflicts of interest

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

Monitoring

The Trustee regularly monitors and reviews:

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

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

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

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

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

Compliance with Statement of Investment Principles

The Trustee will monitor compliance with the Statement of Investment Principles annually and publish a report (known as an Implementation Statement) to members with effect from the Scheme year ending after 1 October 2020.

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

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

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

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

Reporting

The Trustee arranges for the preparation of:

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

Appendix D
Summary of the Scheme's service providers.

The Scheme's current service providers and their basis of remuneration are as follows:

Service	Provider	Remuneration basis
Investment platform provider	Aegon	Percentage of fund value included within funds' Total Expense Ratios
Fund managers	As shown in Appendices A and B	Percentage of fund value included within funds' Total Expense Ratios
Custodians	Selected by the fund managers.	Percentage of fund value included within funds' Total Expense Ratios
Pension administrator	Aegon	Percentage of fund value included within funds' Total Expense Ratios
Auditor	Hillier Hopkins LLP	Fixed fee
Investment Consultant	Hymans Robertson LLP	A mix of fixed fee and time cost fees
Legal advisers	Squire Patton Boggs	Time cost fees