

A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme

Annual statement by the Chair of the Trustee for the year to 5 April 2021

Summary

I, along with my fellow Trustee directors, am responsible for looking after the money you and other members have invested in our Scheme. This Statement confirms for the last year:

The Scheme's default arrangements remained suitable for most members

The Trustee directors carried out a high-level annual review of the Scheme's default investment arrangements taking into account the membership's profile and how members use their pension account at retirement. The Trustee directors found that there had not been any significant change in the Scheme's membership or members' benefit choices at retirement, the investment options had performed satisfactorily and the Scheme's default arrangements remained suitable for most members. The Trustee directors will continue to monitor members' benefit choices at retirement.

The charges and costs borne by members

During the year, the charges paid by members for the Scheme's default investment arrangement were in a range from 0.215% to 0.273% (or £2.15 to £2.73 per £1,000 fund value).

The charges paid by members for the Scheme's other default investment arrangement (as defined below) were in a range from 0.273% to 0.520% (or £2.73 to £5.20 per £1,000 fund value).

The charges for the Scheme's other investment options were in a range from 0.158% to 0.59% (or £1.58 to £5.90 per £1,000 fund value).

Assets in respect of members' AVCs are invested in line with members' main scheme assets and are therefore subject to the charges outlined above as appropriate.

The Scheme provided good value for members

With the help of their advisers, the Trustee directors carried out their annual assessment of how the Scheme's services, which members pay for, compare to other similar schemes. The Trustee directors look at both the quality of these services as well as the costs and charges that members pay and were satisfied that the services provided were competitive in both value and quality.

The action being taken by the Trustee directors to improve value for members

During the last year the Trustee directors sought to improve the Scheme's value for members by:

- Reviewing the default strategy and the fund range offered to members to ensure that it remained appropriate for members by taking into account their characteristics, preferences and financial needs.
- Reviewing the investment charges of the fund range offered to members as part of the investment monitoring process. The Trustee directors also reviewed transaction cost information.
- Setting objectives for their investment consultants following an industry wide order from the Competition and Markets Authority and reviewing progress against those objectives.
- Communicating the results of the Value for Members Assessment and arranging for the publication of the Chair's Statement in a publicly searchable location on the internet. A note of this location was included in the annual benefit statements issued to members.
- Updating the Statement of Investment Principles ("SIP") to reflect the September 2018 Regulations on Responsible Investment which came into force on 1 October 2019 and preparing and submitting a DC Statement of Compliance.

During the next year, the Trustee directors will seek to improve the Scheme's value for members by:

- Continuing to seek ways to reduce costs and improve overall value for money to members, including engaging with the Scheme's investment managers.
- Continuing to regularly review funds and monitor performance.

- Bulk transferring the members' historic assets to The Legal & General Worksave Mastertrust (the "L&G Mastertrust") following the Company's decision that future pension contributions will be paid to the L&G Mastertrust with effect from 1 July 2021, which should improve overall value for members.

Financial transactions were carried out promptly and efficiently

The Trustee directors monitor the performance of the Scheme's administration against the agreed service levels. There were no material issues with the Scheme's day-to-day administration in the last year.

How the Trustee directors have kept their knowledge of pension matters up-to-date

The Trustee directors have a programme of training and an annual assessment to help maintain their knowledge of pension matters. In particular, during the year the Trustee directors received training on the impact of the Covid pandemic on the Scheme and Trustee functions, "Responsible Investment" and the new regulatory requirements and required updates to the Statement of Investment Principles ("SIP"), and key metrics for the assessment of progress against agreed objectives for investment consultants as required by the new CMA order. This training should benefit members by ensuring that the Trustee directors' knowledge of these pension matters is up-to-date and appropriate actions are taken to manage the impact of Covid on the Scheme and Trustee functions, meet the new requirements and improve member engagement. All Trustee directors are also required to complete the relevant sections of the Trustee Toolkit, an on-line training programme provided by the Pensions Regulator, within six months of their appointment.

We hope this Statement helps you understand how your pension scheme is run. If you have any questions on its contents, please contact the Trustee directors c/o the HR services team: hr@agbarr.co.uk

The rest of this Statement describes in more detail the Trustee directors' management of the Scheme's defined contribution and additional voluntary contribution sections during the last year.

For the record

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

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

Signed on behalf of the Trustee by:



A.C. Martin

Chair of the Trustee of the A.G. Barr p.l.c. (2008) Pension and Life Assurance Scheme

Date: 6 September 2021

a) The default arrangements

The main investment principles governing the default arrangements are in outline:

- To manage the main investment risks members face during their membership of the Scheme;
- To maximise investment returns relative to inflation while taking an appropriate level of risk during membership of the Scheme for the majority of members who do not make investment choices;
- To reflect members' likely benefit choices at retirement; and
- To take into account financially material considerations, including environmental, social and governance considerations including climate change over an appropriate timescale.

The Statement of Investment Principles for the default arrangements is appended to this Statement.

The Trustee directors believe that the current default arrangement is appropriate for the majority of the Scheme's members. The Trustee directors undertook a high level annual review of the default arrangement during the year and did not find any issues requiring attention.

The default arrangement and other default arrangement that are currently in place are lifestyle strategies which target members who are expected to buy an annuity and take a cash lump sum at retirement. Members are currently defaulted into one of the two following strategies:

- 1 New members after 1 April 2018 - a member's funds are invested in a core investment strategy, consisting primarily of equities (with the LGIM Global Equity Fixed Weights 50:50 Index Fund) up until 10 years from retirement at which point the assets are switched into a combination of bonds (including both corporate bonds and gilts) and cash over a 10 year period.
- 2 Existing members prior to 1 April 2018 - a member's funds are invested in a core investment strategy, consisting primarily of equities (with the Newton 50/50 Global Equity Fund) up until 10 years from retirement at which point the assets are switched into a combination of bonds (including both corporate bonds and gilts) and cash over a 10 year period.

There are also self-select options for members targeting an alternative objective.

The Trustee directors undertook a full review of the default option during 2017/18 which was completed on 23 May 2017. Given the anticipated move to a Mastertrust arrangement, there are no plans to review the investment strategy of the Scheme in the 2021/22 year. The following change was made with effect from 1 April 2018 as a result of the review during 2017/18:

- The Newton 50/50 Global Equity Fund was replaced with the Legal & General 50:50 Fixed Weights Equity Index Fund in the default option for new members coming into the Scheme and was also provided as an option for existing members either within the lifestyle strategy or as a self-select option.

This change was made because there were concerns over the ability of the Newton 50:50 Global Equity Fund to consistently meet the objectives set by the Trustee directors and because the new LGIM Global Equity Fixed Weights 50:50 Index Fund should meet the objectives set by the Trustee directors more effectively than the Newton 50:50 Global Equity Fund. However, both the pre and post April 2018 lifestyle strategies target annuity purchase and cash lump sum. The reasons this option has been provided as the default are:

- The combination of targeting annuity purchase and cash lump sum was viewed by the Trustee directors as the most likely option to be taken by members – based on available information on take up of member options and evidence of self-select choices, which showed no evidence of demand for alternative arrangements.
- At the time of the Trustee directors' last review there was little evidence of members actively seeking to self-select to reflect the preference for an alternative option at retirement.

The Trustee directors have previously discussed whether this remains an appropriate default solution, particularly in light of pensions freedoms available to members that might result in different choices at retirement.

Member analysis

The table below sets out a high level picture of member investment choices and the settlement activity experienced in the Scheme over the period from January 2020 to January 2021, in terms of annuity purchase at retirement or transfers out of the Scheme. The numbers in brackets show the comparable numbers for the previous year.

Note that the numbers below for the transfer out figures include an assumption that any members taking a transfer out over the age of 55 have transferred their benefits to a retirement vehicle that could allow drawdown.

Member choices	2008 Scheme
Default Lifestyle	130 (118)
Self-select	11 (15)
Annuity purchase	0 (0)
Transfer out	6 (6)
UFPLS*	0 (2)

* Uncrystallised Fund Pension Lump Sum

The analysis above shows that the take up of self-select options remains low and that members' take up of annuity purchase at retirement has remained at zero following the introduction of the defined contribution pension freedoms. The Trustee directors will continue to monitor members' benefit choices at retirement ongoing and will continue to focus on improving member education, communication and engagement. The move to the L&G Mastertrust referred to above will provide greater flexibility for members in terms of how they can draw their benefits at retirement. Prior to the move to the L&G Mastertrust, the Trustee directors concluded that the current default arrangement should remain in place.

(b) Charges and transaction costs

The charges and transaction costs borne by members and the Employer for the Scheme's services are:

Charge or cost	By Members	Shared	By the Employer
Investment management	✓		
Administration			✓
Governance			✓
Investment transactions	✓		

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

Charges

The charges quoted in this Statement are the funds' Total Expense Ratios ("TERs"). The TER consists of a fund's Annual Management Charge ("AMC") and Operating Costs and Expenses ("OCE"). OCEs include, for

example, the fund's custodian costs. While the AMC is usually fixed, the OCE, and hence the TER, can vary slightly from day to day.

Transaction costs

The funds' transaction costs are in addition to the funds' TERs and can arise when:

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

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

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

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

Charges for the default arrangement

The default arrangement for members joining from 1 April 2018 is a "lifestyle strategy", which invests contributions in funds according to how far each member is from retirement. As a result, charges borne by each member can vary from one year to the next. Please see the Statement of Investment Principles for the Scheme in Appendix 1 for further details regarding the default arrangement.

During the year covered by this Statement the member-borne charges for the default arrangement were in a range from 0.215% to 0.273% of the amount invested or, put another way, in a range from £2.15 to £2.73 per £1,000 invested:

Period to retirement	Charge	
	% p.a.	£p.a. per £1,000
10 years	0.215	2.15
5 years	0.252	2.52
3 years	0.260	2.60
At retirement	0.273	2.73

Source: Fund Managers / Hymans Robertson

The funds used in the default arrangement and their individual charges were:

Fund	Charge	
	% p.a.	£p.a. per £1,000
LGIM Global Equity Fixed Weights 50:50 Index Fund	0.184	1.84
Standard Life Deposit and Treasury Fund	0.158	1.59
Standard Life UK Mixed Bond Fund	0.311	3.11

Source: Fund Managers

Based on a member with 40 years in the Scheme under the default arrangement this would result in an average fee over their lifetime within the Scheme of around 0.227% p.a.

The Scheme is not used as a qualifying scheme for auto-enrolment purposes.

Transaction costs for the default arrangement

The transaction costs borne by members in the default arrangement during the year were in a range from 0.001% to 0.01% of the amount invested or, put another way, in a range from £0.01 to a cost of £0.10 per £1,000 invested.

The table below sets out the transaction costs for each fund used in the default arrangement:

Fund	Transaction Costs
------	-------------------

	%	£ p.a. per £1,000 invested
LGIM Global Equity Fixed Weights 50:50 Index Fund	0.01	0.10
Standard Life Deposit and Treasury Fund	0.001	0.01
Standard Life UK Mixed Bond Fund	0.001	0.01

Source: Fund Managers

Charges for the other default arrangement

The default arrangement for members joining prior to 1 April 2018 (the “other default arrangement”) is also a “lifestyle strategy”, which invests contributions in funds according to how far each member is from retirement. As a result, charges borne by each member can vary from one year to the next. Please see the Statement of Investment Principles for the Scheme in Appendix 1 for further details regarding the other default arrangement.

The member-borne charges for the other default arrangement were in a range from 0.273% to 0.520% of the amount invested or, put another way, in a range from £2.73 to £5.20 per £1,000 invested:

Period to retirement	Charge	
	% p.a.	£p.a. per £1,000
10 years	0.520	5.20
5 years	0.415	4.15
3 years	0.358	3.58
At retirement	0.273	2.73

Source: Fund Managers / Hymans Robertson

The funds used in the other default arrangement and their individual charges were:

Fund	Charge	
	% p.a.	£p.a. per £1,000
Newton 50/50 Global Equity Fund	0.590	5.90
Standard Life Deposit and Treasury Fund	0.158	1.58
Standard Life UK Mixed Bond Fund	0.311	3.11

Source: Fund Managers

Based on a member with 40 years in the Scheme under the other default arrangement this would result in an average fee over their lifetime within the Scheme of around 0.480% p.a.

The Scheme is not used as a qualifying scheme for auto-enrolment purposes.

Transaction costs for the other default arrangement

The transaction costs borne by members in the other default arrangement during the year were in a range from 0.001% to 0.01% of the amount invested or, put another way, in a range from £0.01 to £0.10 per £1,000 invested.

The table below sets out the transaction costs for each fund used in the other default arrangement:

Fund	Transaction Costs	
	%	£ p.a. per £1,000 invested
Newton 50/50 Global Equity Fund	0.01	0.10
Standard Life Deposit and Treasury Fund	0.001	0.01
Standard Life UK Mixed Bond Fund	0.001	0.01

Source: Fund Managers

Self-select funds

The Scheme offers members a choice of four self-select funds.

During the year the charges for the self-select funds were in a range from 0.158% to 0.59% of the amount invested or, put another way, in a range from £1.58 to £5.90 per £1,000 invested.

The table below sets out the charges for each self-select fund:

Fund	Charge	
	% p.a.	£ p.a. per £1,000 invested
LGIM Global Equity Fixed Weights 50:50 Index Fund	0.184	1.84
Newton 50/50 Global Equity Fund	0.590	5.90
Standard Life Deposit and Treasury Fund	0.158	1.58
Standard Life UK Mixed Bond Fund	0.311	3.11

Source: Fund Managers

The transaction costs borne by members in the self-select funds during the year were in a range from 0.001% to 0.01% of the amount invested or, put another way, in a range from a cost of £0.01 to a cost of £0.10 per £1,000 invested.

The table below sets out the transaction costs for each self-select fund:

Fund	Transaction Costs	
	%	£ p.a. per £1,000 invested
LGIM Global Equity Fixed Weights 50:50 Index Fund	0.01	0.10
Newton 50/50 Global Equity Fund	0.01	0.10
Standard Life Deposit and Treasury Fund	0.001	0.01
Standard Life UK Mixed Bond Fund	0.001	0.01

Source: Fund Managers

A detailed table of funds and charges and transaction costs in the last year for the self-select funds and those used by the two default arrangements is set out in Appendix 2 to this Statement.

Additional Voluntary Contributions (“AVCs”)

Members’ Additional Voluntary Contributions (“AVCs”) are invested in line with the member’s other investments. The charges and transaction costs for AVC’s are therefore as set out above.

Missing information

The Trustee directors are satisfied that they have obtained full information on charges and transaction costs.

Impact of costs and charges

The Trustee directors have asked the Scheme’s administrator to illustrate the impact over time of the costs and charges borne by members. These illustrations show projected fund values in today’s money before and after costs and charges for a typical member at several points up to retirement.

The tables in Appendix 3 to this Statement show these figures for the two default arrangements and the four self-select funds, together with a note of the assumptions used in calculating these illustrations. The illustrations have been prepared in line with TAS100.

Based on the assumptions, illustrations are set out in the table below for the current default option for the Scheme.

Years to retirement	2008 Scheme	
	Pot projection (pre fees)	Pot projection (with fees)

15 (aged 50)	£78,000	£78,000
10 (aged 55)	£173,483	£172,051
5 (aged 60)	£295,166	£290,656
3 (aged 62)	£349,350	£342,972
1 (aged 64)	£405,223	£396,619

Source: Fund Managers / Hymans Robertson

These numbers include the impact of inflation of 2.5% p.a. Ignoring inflation the pot size at retirement would be £293k or £299k with and without charges.

Please note:

- these illustrated values are not guaranteed and may not prove to be a good indication of how a member's savings might grow; and
- the transaction cost figures used in the illustration are those provided by the managers over the last year.

Appendix 3 shows figures for the default arrangements as well as the self select funds.

(c) Value for Members

Each year, with the help of their advisers, the Trustee directors carry out an assessment of whether the investment charges and transaction costs for the default arrangement and other investment options, which are borne in full or in part by members, represent good value for members.

Value is not simply about low cost – the Trustee directors also consider the quality of the services which members pay for. With the help of their advisers, the Trustee directors compare the charges and costs as well as the quality of the services against other similar schemes.

The Trustee directors adopted the following approach to assessing value for members for the last year:

- Services – considered the investment services where members bear the costs;
- Comparison – the cost and quality of each service were compared against similar schemes and available external comparisons; and
- Rating – each service was rated on the following basis:

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

The results for the year ending 31 March 2021 were that the Scheme gave good value for members in respect of the investment services for which members bear the costs. Further rationale is provided below

During the last 12 months, the Trustee directors undertook the following work to improve value for members:

- The Trustee directors reviewed the default arrangements and the fund range offered to members to ensure that it remained appropriate for members by taking into account their characteristics, preferences and financial needs.
- The Trustee directors reviewed the investment charges for the fund range offered to members as part of the investment monitoring process. The Trustee directors also carried out its annual review of transaction cost information.
- The Trustee directors set objectives for their investment consultants following an industry wide order from the Competition and Markets Authority and reviewed progress against those objectives.
- The Trustee directors communicated the results of the Value for Members Assessment and arranged for the publication of the Chair's Statement in a publicly searchable location on the internet. A note of this location was included in the annual benefit statements issued to members.
- The Trustee directors updated the Statement of Investment Principles ("SIP") to reflect the September 2018 Regulations on Responsible Investment which came into force on 1 October 2019 and prepared and submitted a DC Statement of Compliance.

With effect from 1 April 2018, the Trustee directors replaced the Newton 50/50 Global Equity Fund with the Legal & General 50:50 Fixed Weights Equity Index Fund in the default arrangement for new members coming into the Scheme and provided the Legal & General Fund as an option for existing members either within the lifestyle strategy or as a self-select option.

During the next 12 months the Trustee directors intend to undertake the following work to improve value for members:

- The Trustee directors will continue to seek ways to reduce costs and improve overall value for money to members, including engaging with the Scheme's investment managers;
- The Trustee directors will continue to regularly review funds and monitor performance; and
- The Trustee directors will bulk transfer the members' historic assets to The Legal & General Worksave Mastertrust (the "L&G Mastertrust") following the Company's decision that future pension contributions will be paid to the L&G Mastertrust with effect from 1 July 2021, which should improve overall value for members. The entire defined contribution section of the Scheme will be transferred to the L&G Mastertrust, with the exception of any Additional Voluntary Contributions (AVCs) associated with the defined benefits section of the Scheme, which will remain in the Scheme.

Definition of "Good"

"Good" means that the Trustee directors consider the Scheme offers good value for money, providing services at similar or better quality / lower cost compared with other typical options or similar schemes in the market.

Investment management fees

The Scheme's investment management fees (total expense ratio – TER) are set out in the tables below:

Default

Fund	TER % p.a.
New members default (post 1 April 2018) – mix of charges based on sub set of self-select options	0.215 – 0.273
Previous members default (pre 1 April 2018) – mix of charges based on sub set of self-select options	0.273 – 0.520

Based on a member with 40 years in the Scheme, under the new member lifestyle strategy this would result in an average fee over their lifetime within the Scheme of around 0.227% p.a. while the previous member lifestyle strategy would result in an average fee of around 0.480% p.a.

Self-select investment options

Fund	TER % p.a.
Newton 50/50 Global Equity Fund	0.590
LGIM Global Equity Fixed Weights 50:50 Index Fund	0.184
Standard Life Deposit and Treasury Fund	0.158
Standard Life UK Mixed Bond Fund	0.311

The Trustee directors are comfortable that the Scheme currently delivers good value for money for the Scheme's members. The rationale behind this is set out below.

Justification for "good" rating

During the year, the Scheme offered a restricted selection of investment options and a default arrangement to members. There was a deliberate decision to keep the fund selection limited in order to simplify member engagement but to allow members to tailor fund choice to meet their individual risk preferences.

The default strategy was changed with effect from 1 April 2018.

The other default lifestyle strategy charges ranged from 0.273% p.a. to 0.520% p.a. (pre 1 April 2018 lifestyle strategy) - these charges were well under the 0.75% charge cap requirement and compared well with the 0.49% DWP 2020 average charge survey for trust based qualifying schemes with under 1,000 members. Under the new lifestyle option the range of charges range from 0.215% p.a. to 0.273% p.a.

Over a 40 year saving period the average charge on the default lifestyle (or the impact on fees over a career) under the pre April 2018 lifestyle strategy would be 0.480% p.a. (assuming a career starting at age 25 on a starting salary of £25,000 with 10% contributions and notional salary increases of 3.5% p.a.). Using the same assumptions, on the new lifestyle strategy the average charge on a 40 year saving period would be 0.227% p.a.

For other unbundled schemes which are advised by Hymans Robertson the average minimum fee on the default arrangement is 0.17% and the average maximum fee is 0.42%. The ranges within the minimum and maximum can be wide depending on the use of active and passive management and the objective for the strategy through its lifetime. The Scheme's fund charges are therefore relatively competitive when compared to other unbundled schemes which Hymans Robertson advise.

Conclusions of value for members assessment

The Trustee directors have conducted their annual assessment (for the year to 5 April 2021) regarding what they believe constitutes value for members in the Scheme.

Any services where costs are paid solely by members have been included in the value for members' assessment and this Statement. Any services for which costs are paid solely by the Company are not required to be included in the value for members' assessment or this Statement.

The only cost borne by members of the Scheme relates to the investment management services. As a result, the mandatory value for members' assessment included in this Statement only makes reference to the investment management services.

The Trustee directors believe that, overall, the Scheme currently delivers "good" value for its members.

(d) Processing financial transactions and administration

The Trustee directors have appointed Hymans Robertson LLP to administer the Scheme on their behalf. As part of this service Hymans Robertson provides regular administration reports which the Trustee directors review at regular meetings throughout the year.

The Trustee directors monitored core financial transactions during the year including:

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

The Trustee directors have a service level agreement (“SLA”) in place with the Scheme’s administrator covering:

- Provision of retirement pack and quotation of benefits within 10 working days;
- Payment of benefits within 5 working days;
- Provision of drawdown quotation within 10 working days;
- Payment of benefits to a drawdown arrangement within 5 working days;
- Provision of transfer value quotation within 15 working days;
- Payment of transfer value within 5 working days;
- Provision of leaver option pack within 10 working days;
- Processing individuals transferring in to the Scheme within 10 working days; and
- Response to members enquiries within 10 working days

The Scheme’s administrator, Hymans Robertson LLP, monitors performance against these service levels within the office via internal workflow reporting which has managerial oversight on a daily basis. In addition to this the administrator completes monthly internal controls to ensure all service levels continue to be monitored, with any areas of concern flagged well in advance. The administrator also reports quarterly to the Trustee board on performance against these service levels and ensures that steps are taken to address any areas of concern in advance. Over the year, 98.55% of tasks were completed within the SLA.

The Trustee directors monitored core financial transactions and administration service levels during the year by:

- Checking that contributions deducted from members’ earnings have been paid promptly to the Scheme by the Employer;
- Receiving reports three times each year from the administrator on the processing of financial transactions and other administration processes against the agreed service levels;
- Considering the reasons for and resolution of any breaches of service standards; and
- Considering member feedback including any complaints.

The administrator also carries out its own internal reviews annually as part of the AAF audit materials.

The Trustee directors are satisfied that the service standards are competitive because:

- The Trustee directors conduct annual reviews of their service providers, including the administrator.

Overall, the Trustee directors are satisfied that during the year:

- Core financial transactions were processed accurately, promptly and efficiently; and
- The wider administration of the Scheme achieved the agreed service standards.

Security of assets

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

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

The changes made by the Trustee directors to the default lifestyle strategy with effect from 1 April 2018 did not materially affect the security of assets.

The Trustee directors will continue to keep this under review. The Trustee directors take the security of assets into account when selecting and monitoring the funds used by the Scheme. The Trustee directors are conscious of the growing threat of cyber attacks on pension scheme information. Each year the Trustee directors ask the Scheme’s administrator to confirm that their cyber security arrangements are effective and

up to date. The Trustee directors expect that the Scheme’s administrator will report any security breach immediately and ensure that members are notified as soon as possible. The Trustee directors are satisfied that the Scheme’s cyber security arrangements are effective.

(e) Trustee directors’ knowledge and understanding

The Trustee directors’ current practices to maintain and develop their level of knowledge and understanding of matters relating to the Scheme (in accordance with sections 247 and 248 of the Pensions Act 2004) are:

- There is an induction process for newly appointed Trustee directors, who are asked to complete the Pensions Regulator’s “Trustee Toolkit” (an online learning programme from the Pension Regulator aimed at trustees of occupational pension schemes) within six months of becoming a Trustee director;
- Trustee directors are expected to have a working knowledge of the Scheme’s Trust Deed and Rules;
- Trustee directors are expected to have a working knowledge of the Scheme’s Statement of Investment Principles as well as the investment concepts relevant to the Scheme;
- Trustee directors are expected to have a working knowledge of the law and legislation relating to pension schemes;
- Trustee directors are encouraged to undertake further study and qualifications which support their work as Trustee directors;
- The Trustee directors have a plan in place for ongoing training appropriate to their duties;
- The effectiveness of these practices and the training received are reviewed annually; and
- The Trustee directors carry out regular assessments to confirm and identify any gaps in their knowledge and skills.

In addition to the above, the Chair of the Trustee is a qualified actuary and an accredited professional trustee. As well as bringing skills and expertise to the Trustee Board, they also bring experience of other pensions schemes similar to the Scheme to allow the Trustee directors to assess how well the Scheme rates against other schemes. The independent Trustee director must also fulfil specific ongoing professional development, including a minimum number of hours training per year.

The Trustee directors received the following training during the last year:

Date	Topic	Aim/benefit	Trainer
26 May 2020	Covid pandemic – impact on the Scheme and Trustee functions	This training should benefit members by ensuring that the Trustee directors’ knowledge of the potential impact of Covid on the Scheme and Trustee functions is up-to-date and appropriate actions are taken in relation to Scheme governance, administration, investments and member communications	Hymans Robertson LLP
6 July 2020	“Responsible Investment “ - new regulatory requirements and updates to SIPs	This training should benefit members by ensuring that the Trustee directors’ knowledge of Responsible Investment is up-to-date and appropriate actions are taken to meet the new requirements, representing best practice in terms of pension scheme governance.	Hymans Robertson LLP
6 July 2020	Objectives for investment	This training should	Hymans Robertson LLP

	consultants – new CMA order – key metrics for assessment	benefit members by ensuring that the Trustee directors’ knowledge of the objectives set for their investment consultant is up-to-date and appropriate actions are taken to meet the new requirements which represent best practice in terms of pension scheme governance.	
--	--	---	--

The Trustee directors test their familiarity with the Scheme’s documentation, Pensions Law / Regulations and the Pensions Regulator’s DC Code of Practice 13 and supporting Guides using the Pensions Regulator’s “Trustee Toolkit”. The question of knowledge and understanding is also considered as part of the annual assessment of the Trustee directors’ effectiveness.

The Trustee directors also receive quarterly “hot topics” from their adviser Hymans Robertson LLP, covering technical and legislative/regulatory changes affecting defined contribution (and additional voluntary contribution) schemes in general.

The Trustee directors, with the help of their advisers, review the Statement of Investment Principles at least every three years. The last review was carried out in July 2020 and the Statement was updated on 16 July 2020 to reflect updated regulatory requirements. An implementation statement setting out how the Trustee directors complied with the Statement of Investment Principles during the year to 31 March 2021 will be published alongside this statement. These documents can be found at www.agbarr.co.uk

The Trustee directors have appointed suitably qualified and experienced legal advisers, investment consultants and benefit consultants to provide advice on the operation of the Scheme in accordance with its Trust Deed and Rules, legislation and regulatory guidance.

The Trustee directors review the effectiveness of their advisers annually and also periodically review the appointment of their advisers.

The Trustee directors undertook the following reviews during the last year:

Date	Review of
May 2020	The current practices to maintain and develop Trustee directors’ knowledge and understanding
May 2020	The effectiveness of the training programme and training plans for the coming year
May 2020	Assessments to identify any gaps in the Trustee directors’ knowledge and skills
September 2020	Effectiveness of advisers
December 2020	Review of progress against investment consultant’s objectives

As a result of these reviews, the Trustee directors are satisfied that, during the last year, they have:

- a) Taken effective steps to maintain and develop their knowledge and understanding; and
- b) Ensured they received suitable advice.

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

(f) Action plan

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

- Sought to improve value for members by:
 - Reviewing the default strategy and the fund range offered to members to ensure that it remained appropriate for members by taking into account their characteristics, preferences and financial needs.

- Reviewing the investment charges of the fund range offered to members as part of the investment monitoring process. The Trustee directors also reviewed transaction cost information.
- Setting objectives for their investment consultants following an industry wide order from the Competition and Markets Authority and reviewing progress against those objectives.
- Communicating the results of the Value for Members Assessment and arranging for the publication of the Chair's Statement in a publicly searchable location on the internet. A note of this location was included in the annual benefit statements issued to members.
- Updating the Statement of Investment Principles ("SIP") to reflect the September 2018 Regulations on Responsible Investment which came into force on 1 October 2019 and prepared and submitted a DC Statement of Compliance.

In the coming year (which will be covered by the next Statement), the Trustee directors intend to carry out the following:

- Seek to improve value for members by continuing to seek ways to reduce costs and improve overall value for money to members, including engaging with the Scheme's investment managers;
- Continue to regularly review funds and monitor performance; and
- Bulk transfer the members' historic assets to The Legal & General Worksave Mastertrust (the "L&G Mastertrust") following the Company's decision that future pension contributions will be paid to the L&G Mastertrust with effect from 1 July 2021, which should improve overall value for members.

Missing Information

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

The Trustee directors also note the following limitations:

- At this time, limited data is available on industry-wide comparisons of pension schemes and the Trustees have relied heavily on the market knowledge of its advisers;
- There is limited transaction costs data available to provide industry-wide comparisons; and
- The Trustee directors understand that these issues currently affect many pension schemes and pension providers. The amount of comparative information available should improve over the next few years.

Appendix 1
Statements of Investment Principles

A.G. Barr p.l.c. (2008) Pension and Life Assurance Scheme – DC Section Statements of Investment Principles

July 2020

Contents

Introduction

The law requires the Trustee to produce formal "Statement of Investment Principles" for the Scheme's default arrangement 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 A.G. Barr p.l.c (2008) Pension and Life Assurance Scheme – DC Section (the "Scheme"). These Statements must cover a number of technical points to comply with legislation as well as meet the expectations of the Pensions Regulator and needs of the Scheme's Auditors which, as far as possible, are shown separately in "for the record" boxes.

The Trustee will publish the Statements of Investment Principles and a statement each year (from 1 October 2020) describing how these Statements have been followed in the last year.

Statements of Investment Principles

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

- 1 Statement of the aims and objectives for the default arrangement*;
- 2 Statement of the aims and objectives for investment options outside the default arrangement*; and
- 3 Statement of investment beliefs, risks and policies**.

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

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

Appendices

- A. Investment implementation for the default arrangement;
- B. Investment implementation for the investment options outside the default arrangement;
- 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) of the Occupational Pension Schemes (Investment) Regulations 2005.

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

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

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

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

For and on behalf of the Trustee of the Scheme

Name	Signed	Date
A. C. MARTIN	A. C. Martin.	16/7/2020

1 Statement of the aims and objectives for the default arrangement

Under the definition of “default arrangement” under The Occupational Pension Scheme (Charges and Governance) Regulations 2015, the Scheme has a number of default arrangements.

Default Option for Auto-enrolment - for members joining from 1 April 2018

Reasons for the Default Arrangement

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

- 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 majority of the Scheme’s members are expected to have broadly similar investment needs.

Choosing the default arrangement

The Trustee believes that understanding the Scheme’s membership is essential to designing and maintaining a default arrangement which meets the needs of the majority of members.

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

- The level of income in retirement that members are likely to need; and
- Members’ likely benefit choices at and into retirement.

Objectives for the default arrangement

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

- Manages the main investment risks members face during their membership of the Scheme;
- Maximises investment returns relative to inflation while taking an appropriate level of risk during membership of the Scheme for the majority of members who do not make investment choices;
- Reflects members’ likely benefit choices at retirement; and
- Takes into account financially material considerations including environmental, social and governance considerations including climate change over an appropriate timescale.

The default arrangement

The default arrangement is therefore a lifestyle strategy which targets members who are expected to buy an annuity and take a cash lump sum at retirement.

The default lifestyle strategy gradually moves investments between different funds to manage the levels of investment returns and risks 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 arrangement. The expected investment returns and approach to managing investment risks including financially material considerations are described in Section 3.

Further Default Arrangements under The Occupational Pension Scheme (Charges and Governance) Regulations 2015

Other default arrangements

Under the definition of “default arrangement” in The Occupational Pension Scheme (Charges and Governance) Regulations 2015 certain other arrangements and funds used by the Scheme can be classified as default arrangements. These options are:

Lifestyle Strategy targeting Annuity Purchase – for members joining up to 31 March 2018

A lifestyle strategy which targets members who are expected to take some cash and buy an annuity at retirement. This was the lifestyle strategy which (prior to April 2018) was the strategy used by members who did not make an active decision on their investment option. It was designed on a similar basis to the current default option for members but replaced the active equity component with a passively managed equity solution.

This 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. Members in this strategy were given the option of switching existing fund or new contributions into the current default solution introduced in 2018.

This strategy is suitable as it is a lifestyle strategy which targets growth in the earlier part of a members' career and latterly switches investments into bonds and cash. This is designed to reduce volatility closer to retirement and also aligned to broadly match the movement in annuity prices.

Full details of the current and other default arrangements are provided in Appendix A.

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

Reasons for the investment options

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

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

Choosing the investment options

Membership analysis

The 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:

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

Member behaviour

The Trustee has also considered how members choose where to invest their pension including factors such as:

- Too little choice can be viewed negatively by members;
- Too much choice can prove confusing and deter members from taking action; and
- Some members will not regularly review their choices.

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 arrangement.

All the investment options take into account financially material considerations including environmental, social and governance considerations including climate change over an appropriate timescale.

Self-select funds

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

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

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

Full details of the current investment options are provided in Appendix B.

3 Statement of investment beliefs, risks and policies

Introduction

This Statement sets out the 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.

Risks

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

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

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

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

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

Other investment risks

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

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

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

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

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

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

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

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

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

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

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

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

Financially material considerations

The Trustee recognises that the Scheme's investments may be subject to a number of financially material considerations, including environmental, social and governance ("ESG") factors, which can affect investment returns and the volatility of asset values at various stages during a typical member's membership of the Scheme. These may include:

Environmental

A number of environmental factors can positively or negatively impact the financial performance of one company or industrial sector relative to others over the medium to longer-term:

- Climate change – the direct effects of climate change on economic activity as well as the effects on the economy or parts of the economy caused by steps to control climate change;
- Carbon locking – companies which produce or are heavily reliant on the use of fossil fuels either directly or in their supply chain (for instance coal mining and coal-fired power stations) will be adversely affected by steps to control climate change requiring significant changes to remain in business, while companies focusing on alternative energy sources should benefit;
- Pollution – companies whose manufacturing processes or products cause pollution (for instance the atmospheric emissions of Oxides of Nitrogen by internal combustion engines and disposal of single use plastics);

- Resources – adopting more environmentally friendly extraction techniques or demand for certain raw materials (for instance the use of Rare Earths in hybrid cars' electric motors) inflate the cost of key resources used by certain industrial sectors;
- Transition – the costs to companies, consumers and economies of moving to a low carbon economy.

Technology

New technologies can render traditional manufacturing processes, existing products or business practices/models obsolete (for instance, leading to reductions in energy consumption) or lead to significant changes in consumer or corporate behaviour over the medium term (for instance the impact of on-line retail sites on High Street retailers and, in turn, town centre property development).

Companies in industrial sectors with well-managed research and development budgets and companies in service sectors with clear innovation policies may be expected to benefit in a changing world.

Social

Shifts in public sentiment towards certain business practices (for instance exploitation, real or perceived, of third world labour by some clothes manufacturers) or products (for instance diesel-engine cars due to harmful emissions) can adversely affect the sales and profitability of a company or industrial sector over the short to medium term.

Shifts in public sentiment against some economic sectors can hamper the ability of companies in those sectors to attract and retain staff over the short to medium term. Conversely, companies with good reputations as an employer and/or in growth sectors of the economy will be able to attract the best staff benefiting the business's longer-term financial prospects.

Demographics

Changes in countries' demographic profiles can lead to changes in demand for products and services as well as employment patterns over the long term (for instance, in the UK, greater demand of long term care and differing consumer spending habits of millennials).

Governance

Poor corporate governance (for example the Volkswagen emissions scandal) can adversely affect the business prospects, profitability, equity market valuation and default risk on future bond issuance of a company relative to its peers in the same commercial or industrial sector over the short to medium term.

Legislative

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.

Regulatory

Changes in Regulations can affect the operational costs, tax efficiency and security of one investment vehicle relative to other vehicles over the shorter-term (although typically take some time to prepare) or increase compliance costs for businesses over the medium term (for instance increased regulation of energy suppliers).

Managing risks

The Trustee will develop and maintain a framework for assessing the impact of investment risks, including financially material considerations, on long-term investment returns.

Principal 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 which are expected to meet the investment needs of a majority of members.

Other investment risks

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, fund manager actions and default.

Financially material considerations

The Trustee will take into account financially material considerations, including environmental, social and governance factors when choosing and monitoring the Scheme's investments.

The Scheme uses standard pooled funds offered by fund managers. This gives access to a range of funds while keeping down costs to members, but 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:

- Choosing fund managers who have clearly articulated policies for managing financially material considerations including climate change;
- 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 all funds, expect fund managers to engage with companies in which the fund invests to encourage business strategies which should improve or protect the value of those investments; and
- Prefer fund managers who are signatories to the Financial Reporting Council's Stewardship Code in the UK and the United Nations principles for responsible investment.

Fund managers are expected to take financially material considerations into account to the extent that they are in the financial interests of members and consistent with the Scheme's investment objectives.

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' 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
Corporate Bonds (i.e. loan stocks issued by companies)	Positive, but lower than equities	Lower than equities
Fixed Interest Government Bonds (e.g. UK Gilts)	Positive, but lower than equities or corporate bonds	Lower than equities 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.

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;
- As the Scheme invests for members over the long-term, financially material considerations will have a bearing on funds' expected levels of risk and return;
- 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.
- Charges (levied by fund managers and transaction costs (incurred by fund managers) will affect the retirement outcomes for members, especially when investment returns from an asset class are low.
- Companies demonstrating positive ESG practices are expected to outperform others over the long term
- Climate change is a material financial risk, particularly to younger members
- Active stewardship can support positive engagement with members.

Types of funds used

Delegation of investment decisions

The Scheme uses 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 fund managers.

Manager incentives

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

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 managers 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 managers to ensure their charges and services remain competitive. The Trustee believes that these steps are the most effective way of incentivising the managers to deliver Value for Members, of which investment management charges and investment performance are key considerations.

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 advisor, 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.

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 Trustee monitors and review the security of funds' assets when choosing a fund provider/manager and thereafter. The Trustee has assessed the extent to which, and in what circumstances, any loss of scheme assets might be covered by a compensation scheme such as the Financial Services Compensation Scheme (the compensation fund for customers of authorised financial services firms), indemnity insurance or similar arrangement and believes that most of the Scheme's assets (particularly those under a life insurance policy) are "protected" by the Financial Services Compensation Scheme. Professional Indemnity cover is provided in respect of the funds by the fund managers.

One fund is provided through a policy of insurance issued to the Trustee by the fund manager (the Legal & General Global Equity Fund). As a result, the value of the funds may be affected in the event of the provider getting into financial difficulties. In the event of the fund manager getting into financial difficulties, the values in these underlying funds will depend upon the nature of the contract with the provider and the fund vehicles used by the fund managers' funds.

Realisation of investments

The Trustee expects that the fund managers will normally be able to sell the funds within a reasonable timescale. There may, however, be occasions where the fund managers need to impose restrictions on the timing of sales and purchases of funds in some market conditions to protect the interests of all investors in that fund.

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

Balance of investments

Overall, the Trustee believes that the Scheme's investment options:

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

Stewardship

Members' financial interests

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

Monitoring

The Trustee monitors the fund managers voting activity on a periodic basis.

The Trustee reviews the fund managers' voting activity at least annually in conjunction with their investment advisor and use this information as a basis for discussion with the fund managers. Where the Trustee deems it appropriate, any issues of concern will be raised with the manager for further explanation.

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

Non-financial factors

The Trustee recognises that some members may have strong views, religious or ethical, on where their savings should, or should not, be invested across a wide range of factors such as:

- Avoiding investment in certain sectors (for instance gambling or weapons manufacture);
- Avoiding investment in sectors whose activities have a marked adverse effect on the environment (for instance sectors reliant on the production or use of fossil fuels);
- Supporting companies whose activities are beneficial to the environment;
- Avoiding investment in companies or sectors where there are social issues (for instance exploitation of third world labour);
- Avoiding investment in companies who have experienced corporate governance issues;
- Preferring funds which invest primarily in the UK economy;
- Accepting the increased risks of social impact investing including "patient capital" (for instance supporting new business start-ups in the local or regional economy);
- Avoiding investments in companies whose activities are not consistent with their religious beliefs.

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 therefore decided that it would not be worthwhile surveying members' views on non-financial factors relating to the Scheme's investments. The Trustee will instead take into account what, in their reasonable opinion, members' views of non-financial factors are likely to be.

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

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

Voting Rights

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

As the Scheme's investments are pooled with other investors to keep costs down and ensure adequate diversification, the Trustee delegates responsibility for the exercising of rights (including voting rights) attaching to investments to the fund managers.

The Trustee:

- Expects fund managers to have a clearly articulated policies on engagement for all non-government assets and the exercise of voting rights;
- Encourages the fund managers to exercise those rights on behalf of members' interests when they believe there could be a financial impact on the funds;
- Expects fund managers to report regularly on or provide access to their engagement activities including the exercise of voting rights, how they voted and, when applicable, explain why these rights have not been exercised; and
- Expects providers to adopt similar practices with regards to the fund managers on their platform and provide reports on the exercise of voting rights to the Trustee.

For the record

The Trustee obtains and considers 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 option 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 fund managers used by the Scheme 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; and
- Cash and other short-term interest bearing deposits.

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

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

The 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 arrangements

Default Option - for members joining from 1 April 2018

The default option is a lifestyle strategy which targets annuity purchase and a cash lump sum at retirement.

Members are invested in funds expected to give higher returns relative to inflation up to 10 years before their normal retirement date.

Members are then automatically switched into funds aligned to their expected benefit choices at retirement during the last 10 years up to their normal retirement date.

Fund allocation

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

Years to retirement	LGIM Global Equity Fixed Weights 50:50 Index Fund %	Standard Life UK Fixed Interest Fund %	Standard Life Managed Cash Fund %
11 or more	75	25	0
10	70	30	0
9	65	35	0
8	60	40	0
7	55	45	0
6	50	50	0
5	40	55	5
4	30	60	10
3	20	65	15
2	10	70	20
1	0	75	25
0	0	75	25

Rebalancing between these funds takes place on a quarterly basis. "Reverse switching" in the event of marked relative movements between funds causing an overshoot of the target asset allocation is not undertaken.

Funds and charges

The funds used by the default option and their charges (expressed as a percentage annual management charge ("AMC") and Total Expense Ratio ("TER")) as at 31 March 2020 are:

Platform Fund	AMC %	TER %
LGIM Global Equity Fixed Weights (50:50) Index Fund	0.165	0.165
Standard Life UK Fixed Interest Fund	0.30	0.312
Standard Life Managed Cash Fund	0.15	0.159

Members in the default option will see TERs range from 0.202% to 0.274%.

Investment costs

Fund charges

The 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 default option was introduced on 1 April 2018.

Other default arrangements

Under the definition of "default arrangement" under The Occupational Pension Scheme (Charges and Governance) Regulations 2015 certain other arrangements and funds used by the Scheme can be classified as default options. These options are:

Lifestyle Strategy targeting Annuity Purchase – for members joining up to 31 March 2018

A lifestyle strategy which targets members who are expected to take some cash and buy an annuity at retirement. This was the lifestyle strategy which (prior to April 2018) was the strategy used by members who did not make an active decision on their investment option. It was designed on a similar basis to the current default option for members but replaced the active equity component with a passively managed equity solution.

Members are invested in funds expected to give higher returns relative to inflation up to 10 years before their normal retirement date.

Members are then automatically switched into funds aligned to their expected benefit choices at retirement during the last 10 years up to their normal retirement date.

Fund allocation

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

Years to retirement	Newton 50/50 Global Equity Fund %	Standard Life UK Fixed Interest Fund %	Standard Life Managed Cash Fund %
11 or more	75	25	0
10	70	30	0
9	65	35	0
8	60	40	0
7	55	45	0
6	50	50	0
5	40	55	5
4	30	60	10
3	20	65	15
2	10	70	20

1	0	75	25
0	0	75	25

Funds and charges

The funds used by the default option and their charges (expressed as a percentage annual management charge (“AMC”) and Total Expense Ratio (“TER”) as at 31 March 2020 are:

Platform Fund	AMC %	TER %
Newton 50/50 Global Equity Fund	0.50	0.57
Standard Life UK Fixed Interest Fund	0.30	0.312
Standard Life Managed Cash Fund	0.15	0.159

Members in the default option will see TERs range from 0.274% to 0.506%.

Investment costs

Fund charges

The fund managers’ charges for the investment options are borne by the members.

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

Transaction costs

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

Review

The Lifestyle Strategy is reviewed on a regular basis, most recently in 2017/18.

Appendix B

Investment implementation for investment options outside the default arrangements

Self-select fund range

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

Fund range

The choice of self-select funds and their charges (expressed as a percentage annual management charge (“AMC”) and Total Expense Ratio (“TER”) as at 31 March 2020 are:

Platform Fund	AMC %	TER %
LGIM Global Equity Fixed Weights (50:50) Index Fund	0.165	0.165
Newton 50/50 Global Equity Fund	0.50	0.57
Standard Life UK Fixed Interest Fund	0.31	0.312
Standard Life Managed Cash Fund	0.15	0.159

Use of options

Members cannot contribute to the default Lifestyle options and self-select funds at the same time.

Members cannot have investments from previous contributions in the alternative lifestyle options and self-select funds at the same time.

Investment costs

The fund managers’ charges for the investment options are borne by the members.

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

Review

The self-select fund range is reviewed on a regular basis, most recently in 2017/18.

Additional Voluntary Contributions

Assets in respect of members’ AVCs are invested in line with the members’ main scheme assets. The objective of the Scheme’s AVC arrangement is to offer members of the Scheme the chance to increase their income in retirement by making additional contributions in addition to those they are already making to the Scheme.

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 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 and engaging with equity and bond issuers on matters which may materially affect the value of investments.

Conflicts of Interest – Instances where the actions of the 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 the Trustee describing the Scheme's investment costs, value for members and governance during the previous year;
- Publication of an extract from the Annual Governance Statement by the Chair of the Trustee in a publicly searchable location on-line.
- 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
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	Hymans Robertson LLP	Fixed Fee, Membership Number related fees and time cost for additional work
Auditor	KPMG	Fixed fee
Investment Consultant	Hymans Robertson LLP	Fixed fee plus time cost fees for additional non core work
Legal advisers	Shepherd and Wedderburn	Time cost fees

Appendix 2

Table of funds and charges

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

Fund	ISIN*	Charges**		Transaction Costs	
		% p.a. of amount invested	£ p.a. per £1,000 invested	% p.a. of amount invested	£ p.a. per £1,000 invested
Newton 50/50 Global Equity Fund	GB00B01XJ447	0.590	5.90	0.01	0.10
LGIM Global Equity Fixed Weights 50:50 Index Fund	N/A	0.184	1.84	0.01	0.10
Standard Life Deposit and Treasury Fund	N/A	0.158	1.58	0.001	0.01
Standard Life UK Mixed Bond Fund	N/A	0.311	3.11	0.001	0.01

Source: Fund managers - the LGIM and Standard Life Funds are life funds (insurance policies) and do not have ISIN numbers.

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

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

Appendix 3

Impact of costs and charges

The following assumptions have been made regarding a typical member of the 2008 Scheme:

Characteristics	2008 Scheme
Average pot size	£78,000
Average age	50
Average salary	£78,000
Average employee contribution rate	6.0%
Average employer contribution rate	12.0%

It has been assumed that the same characteristics apply to each fund choice so, for example, it has not been assumed that someone who has self-selected has different characteristics from those above.

The illustrations provided in this Statement are also based on the 'real' investment returns (over the rate of inflation) included in SMPI assumptions - these and the costs modelled are as follows:

Charge or cost	TER (%)	Transaction Costs (%)	Expected Return (% p.a.)
LGIM Global Equity Fixed Weights 50:50 Index Fund	0.184	0.01	4.0
Newton 50/50 Global Equity Fund	0.590	0.10	5.0
Standard Life Deposit and Treasury Fund	0.158	0.001	0.5
Standard Life UK Mixed Bond Fund	0.311	0.001	1.8

Tables illustrating the impact of charges and costs

The following tables show the potential impact of the costs and charges borne by the average member in the 2008 Scheme on projected values in today's money at several points up to retirement for the default and self-select funds and average contribution levels:

2008 Scheme – current / post 1 April 2018 default arrangement

Years to Retirement	2008 Scheme	
	Pot projection (pre fees)	Pot projection (with fees)
15 (aged 50)	£78,000	£78,000
10 (aged 55)	£173,483	£172,051
5 (aged 60)	£295,166	£290,656
3 (aged 62)	£349,350	£342,972
1 (aged 64)	£405,223	£396,619

These numbers include the impact of inflation of 2.5% p.a. Ignoring inflation the pot size at retirement would be £293k or £299k with and without charges for the 2008 Scheme.

2008 Scheme – Pre 1 April 2018 other default arrangement

Years to Retirement	2008 Scheme	
	Pot projection (pre fees)	Pot projection (with fees)
15 (aged 50)	£78,000	£78,000
10 (aged 55)	£178,369	£174,917
5 (aged 60)	£308,342	£298,000
3 (aged 62)	£365,602	£352,318
1 (aged 64)	£423,714	£407,196

These numbers include the impact of inflation of 2.5% p.a. Ignoring inflation the pot size at retirement would be £300k or £313k with and without charges for the 2008 Scheme.

2008 Scheme – Self-select funds

Years to Retirement	Newton 50/50 Global Equity		LGIM Global Equity Fixed Weights 50:50 Index Fund		Standard Life UK Mixed Bond Fund		Standard Life Deposit and Treasury Fund	
	Pot projection (pre fees)	Pot projection (with fees)	Pot projection (pre fees)	Pot projection (with fees)	Pot projection (pre fees)	Pot projection (with fees)	Pot projection (pre fees)	Pot projection (with fees)
15 (aged 50)	£78,000	£78,000	£78,000	£78,000	£78,000	£78,000	£78,000	£78,000
10 (aged 55)	£183,718	£179,693	£177,054	£175,787	£163,160	£161,272	£155,425	£154,502
5 (aged 60)	£332,049	£319,028	£310,654	£306,678	£268,670	£263,238	£246,823	£244,289
3 (aged 62)	£406,300	£387,705	£375,835	£370,224	£317,418	£310,000	£309,297	£305,412
1 (aged 64)	£490,610	£464,994	£448,760	£441,120	£370,312	£360,531	£331,513	£327,107

These numbers include the impact of inflation of 2.5% p.a. Ignoring inflation the pot size at retirement would be:

- £346k or £371k with and without charges for the Newton 50/50 Global Equity Fund
- £332k or £337k with and without charges for the LGIM Global Equity Fixed Weights 50:50 Index Fund
- £255k or £267k with and without charges for the Standard Life UK Mixed Bond Fund
- £241k or £245k with and without charges for the Standard Life Deposit and Treasury Fund