Yorkshire and Clydesdale Bank Defined Contribution Scheme
Statements of Investment Principles

September 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 its investment policies which guide how members' money is invested.

This document is a compendium of the Statements of Investment Principles for the Yorkshire and Clydesdale Bank Defined Contribution Scheme (the "Scheme."). These Statements must cover a number of technical points in order to comply with legislation as well as meet the expectations of the Pensions Regulator and needs of the Scheme's Auditors, which we have as far as possible shown separately in "for the record" boxes.

The Trustee will publish on-line 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 arrangements*;

2 Statement of the aims and objectives for investment options outside the default arrangements*; 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 arrangements *** comprises items 1 and 3.

Appendices

A. Investment implementation for the default arrangements;

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

C. Summary of the approach to investment governance;

D. Summary of the Scheme's service providers; and

E. Summary of Naming Conventions

For the record

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

** In accordance with Regulation 2of 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
Andy Cheseldine		23 September 2020

1 Statement of the aims and objectives for the default arrangements

The Scheme has a number of "default arrangements" for the purposes of The Occupational Pension Scheme (Charges and Governance) Regulations 2015.

Default Arrangement for Auto-enrolment – Drawdown Lifestyle (Default) Strategy

Reasons for the Default Arrangement

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

- The Scheme is a qualifying scheme for auto-enrolment purposes and so must have a default arrangement;
- It should be easy to 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 age (members' term to retirement) and salary profile;
- The likely sizes of pension accounts at retirement;
- The level of income in retirement that members are likely to need;
- Previous sources of retirement income; and
- Members' potential and 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 arrangement 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 for the majority of members who do not make investment choices;
- Takes into account financially material considerations including environmental, social and governance considerations including climate change over an appropriate timescale; and
- Reflects members' likely benefit choices at retirement.

The Default Arrangement

The default arrangement is therefore:

A lifestyle strategy which targets members who are expected to use flexible retirement with a high probability of using Flexible Access Income Drawdown for a significant part of their retirement savings during their retirement.

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

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

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

Other default arrangements

Certain other arrangements and funds used by the Scheme can be classified as default arrangements for the purposes of The Occupational Pension Scheme (Charges and Governance) Regulations 2015. These arrangements are:

Legacy Annuity Lifestyle

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 October 2015) was the strategy used by members who did not make an active decision on their investment option. It was designed at a time when members would have been expected to purchase an annuity at retirement in combination with a tax free lump sum.

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 and outwith 10 years from retirement were automatically switched to the lifestyle targeting Flexible Access Income Drawdown when it was introduced in 2015.

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 as the member approaches their target retirement age. This is designed to reduce volatility closer to retirement and also aligned to broadly match the movement in annuity prices.

Cash Withdrawal Lifestyle

A lifestyle strategy which targets members who are expected to take a Cash Withdrawal at retirement or take a series of smaller lump sums over a few years. This strategy targets a lower "risk" strategy at retirement designed for members wishing to take their retirement benefits in cash or wishing to be invested cautiously immediately before retirement.

This 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.

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. In particular, this strategy utilises an absolute return bond fund in the last 5 years prior to target retirement age. This type of defensive bond based fund is managed to preserve capital and avoid losses where possible. This type of fund is of particular value in the period prior to retirement when retirement accounts can have grown to substantial amounts and where time is limited to recover from any large market losses prior to retirement.

This strategy is designed to reduce volatility closer to retirement and also aligned to members accessing their retirement accounts entirely in cash at retirement or in a series of cash withdrawals over a few years.

Some members were automatically switched into this strategy in August 2019 as part of a review of the Scheme's lifestyle strategies. Because some members were switched without their express consent this fund is classified as a "default arrangement".

YCB Diversified Assets Fund.

Some members were automatically switched to this fund on 16 January 2018 due to the removal of the Schroders Diversified Growth Fund and BlackRock DC Diversified Growth Fund as Scheme options. Because some members were switched without their express consent this fund is classified as a "default arrangement". The Trustee believes that this fund is appropriate as it is a diversified fund targeting long term growth with exposure to a wide range of assets, including alternative assets. Multi asset diversified funds targeting growth but aiming for lower volatility than equities can be a useful component of a member's strategy in planning their investments, particularly where a member has already built up a substantial amount and may be looking to reduce risk whilst also looking for investment growth.

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 arrangements. The expected investment returns and approach to managing investment risks including financially material considerations such as climate change are described in Section 3.

Inadvertent or temporary Default Arrangements

From time to time the platform providers or fund managers may suspend trading in a fund due to market conditions or decide to close a fund commercial or regulatory reasons. This would be outside the Trustee's control.

Should these circumstances occur, it may be necessary for the Trustee to redirect contributions to an investment option which differs from some members' original choice. The Trustee will ensure that any alternative investment option adopted in this manner is consistent with the charge cap for default arrangements.

For example, in the event that buying or selling units in a fund chosen by members is suspended for any reason, the Trustee may decide that it is in the members' best interests to temporarily redirect contributions to another investment option. Once such as suspension has been resolved, the Trustee will arrange for the re-investment of contributions into the investment option originally chosen by members or notify members of the resolution and give them the option to reinvest contributions or direct contributions to the fund of their original choice.

In all such circumstances, the Trustee and/or platform provider/fund manager will notify members of the issue and steps being taken to resolve it. Where necessary, these will be described in Appendix A. Full details of the current and other default arrangements including any inadvertent or temporary default arrangements are provided in Appendix A.

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

Reasons for the investment options

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

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

Choosing the investment options

Membership analysis

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

- The members' age (members' term to retirement) and salary profile;
- The likely sizes of members' pension accounts at retirement;
- Previous sources of retirement income from the Employer;
- Members' retirement dates and likely range of benefit choices at retirement;
- The levels of investment risk and return members may be willing to take;
- The degree to which members are likely to take an interest in where their contributions are invested; and
- The number of members who are likely to want ethical or faith based investment.

Member behaviour

The Trustee has also considered the results of academic research and market surveys into how members choose where to invest their pension account which in summary shows:

- Too little choice is 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 a choice of investment options as an alternative to the default arrangements.

Alternative lifestyle option (Annuity Lifestyle)

The main objective of the alternative lifestyle option is to maximise investment returns relative to inflation while taking an appropriate level of risk for members seeking to purchase an annuity.

The Trustee believes that it is in the best interests of members in the alternative lifestyle option to:

- Manage the principal investment risks members' face during their membership of the Scheme;
- Maximise investment returns relative to inflation while taking an appropriate level of risk during membership of the Scheme for members who do not otherwise make investment choices; and
- Give further choice for members who feel that the Scheme's default arrangement is not appropriate to their needs, but do not otherwise want to be involved in deciding where their contributions are invested.

The alternative lifestyle option gives members a choice compared to the default arrangements of:

- Targeting buying an annuity at retirement with a lower level of risk / return than the Legacy Annuity Lifestyle described in the Statement of the aims and objectives for the default arrangements.

Self-select funds

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

- Provide a choice of individual funds for members who want to be more closely involved in choosing where their pension accounts are invested;
- Complement the objectives of the Default Arrangement and the alternative lifestyle options targeting annuity purchase and cash withdrawal;
- Provide a broader choice of levels of investment risk and return;
- Provide a broader choice of investment approaches a faith based fund; and
- Help members more closely tailor how their pension accounts is invested to their personal needs and attitude to risk.

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

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 general investment beliefs and policies which guide the Trustee's decision making.

For the record

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

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

Investment Risks

Principal risks

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

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

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

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

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

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

Funds investing in bonds or a mix of assets or investment techniques 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 potential 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.

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

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

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

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

Managing risks

The Trustee develops and maintains a framework, having taken advice from their investment advisor for assessing the impact of investment risks, including financially material considerations, on long-term investment returns. As part of this, the Trustee monitors the age profile (members' term to retirement) of the Scheme's membership to arrive at an appropriate timescale.

Time horizon

The Trustee monitors the age profile (members' term to retirement) of the Scheme's membership to arrive at an appropriate investment horizon for different groups of members when considering all investment and financially material risks:

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. The Trustee believes that the Scheme's investment options are appropriate for managing the risks typically faced by members.

Ability to invest/disinvest promptly

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

Financially material considerations

The Trustee recognises that the consideration of financially material considerations, including ESG factors (which include climate change), are relevant to the development, selection, retention, realisation and monitoring of the Scheme's investment options over the appropriate time horizon applicable to members invested in those options. The Trustee further recognises that the financial materiality of any factor, including ESG factors, is context specific and that whilst some factors may be relevant to certain stocks/assets, they may not be relevant to others. The Trustee will consider such factors in the development and implementation of their investment arrangements, for the purposes of determining the selection, retention and realisation of investments, where there is sufficient data or evidence to allow them to systematically do so. Where there is not sufficient data or evidence, they will engage with their investment managers to ensure they take such considerations into account within their decision making.

Implementation

The Scheme uses standard pooled funds offered by investment platform providers and fund managers. This gives access to a range of funds while keeping down costs to members. Although this means that the Trustee's approach to managing financially material considerations is limited by the nature of the pooled funds, 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;
- Considering the extent to which ESG issues including climate risk, where relevant, are integrated into the fund managers' investment processes and whether the Trustee is satisfied that the fund managers follow an approach which takes account of financially material factors;
- For actively managed funds (where the fund manager decides where to invest), expecting the fund managers to take financially material considerations into account when deciding on the selection, retention and realisation of investments;
- For passively managed funds, recognising that the funds' objectives are to deliver returns in line with its benchmark (which may or may not take into account ESG factors), which the Trustee believes will deliver appropriate risk adjusted returns;
- For all funds, expecting 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

- Preferring 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 and platform provider 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
Property (e.g. offices, shops and warehouses)	Positive, but lower than equities	Lower than equities
Corporate Bonds (i.e. loan stocks issued by companies)	Positive, but lower than equities and property	Lower than equities or property
Fixed Interest Government Bonds (e.g. UK Gilts)	Positive, but lower than equities, property or corporate bonds	Lower than equities, property or corporate bonds
Index-Linked Government Bonds (e.g. UK Index-Linked Gilts	In line with inflation	Lower than equities, property or corporate bonds
Cash (and other short-term interest bearing investments)	Return may not keep pace with inflation	Minimal with high degree (but not complete) of capital security

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

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

Responsible Investment (i.e. funds selecting assets to mitigate ESG and/or climate change risks and also funds selecting assets positively demonstrating strong ESG and or climate change credentials) – the strategy of these funds is expected to give a better risk adjusted return over the long-term than the broader market for the type of assets involved (e.g. equities).

Investment beliefs

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

- Managing the main investment risks is the most important driver of good long-term member outcomes;
- As the Scheme invests for members over the long-term, financially material considerations including the impact of climate change 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; and
- Charges (levied by fund managers and platform providers and transaction costs (incurred by fund managers) will affect the retirement outcomes for members, especially when investment returns from an asset class are low.

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. Two of the funds used are accessed through an investment platform (Legal & General) which in turn invest its funds in funds provided by a selection of fund managers where investments are pooled with other investors. This enables the Scheme to invest in a range of funds giving a good spread of investments in a cost-effective manner. It does mean that the Trustee has delegated day to day investment decisions including the management of financially material considerations to the fund managers. The Trustee carefully selects the fund managers, taking appropriate professional advice on the suitability of those managers. The documents governing the manager appointments include a number of guidelines which are intended to ensure that only suitable investments are held by the Scheme.

Manager incentives

In respect of the pooled funds which are used by the Scheme, the basis of remuneration of the fund manager is determined at the inception of each mandate based on commercial considerations and typically set on an ad valorem basis. The Trustee has appointed each of its fund managers to deliver a specific benchmark or performance target, which overall will align to deliver the broader Scheme investment strategy. The Trustee ensures that the fund managers have clearly defined benchmarks, objectives and management parameters. The Trustee periodically reviews the fees paid to all of its managers against industry standards.

The Trustee expects that it will be in the interests of the fund managers to produce growth in asset values in line with the funds' investment objectives. For passively managed funds this should be within an acceptable margin of the index the fund tracks. For actively managed funds the investment return should be commensurate with the level of investment risk implied by the fund's objectives.

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

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

The Trustee monitors the investment managers against a series of metrics over a long-term time horizon (at least over a three-year investment cycle) including:

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

- The management of risks.

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

Portfolio turnover

The 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 except where a fund's total assets under management are relatively small where the investment manager does not fully replicate the index or where a fund invests in less liquid stocks.

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

Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee will ask the investment platform provider or investment managers on the platform to report on at least an annual basis on the underlying assets held within fund with details of any transactions and turnover costs incurred over the Scheme's reporting year. The Trustee will seek to compare portfolio turnover and the resultant costs against peer groups or portfolio turnover and costs for an appropriate index.

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

Portfolio duration

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

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

Security of assets

The Trustee monitors and reviews 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.

Many funds are provided through a policy of insurance issued to the Trustee by the platform provider or fund manager (the Aegon funds, YCB Diversified Assets Fund and YCB Property Fund). As a result, the value of the funds may be affected in the event of the provider getting into financial difficulties.

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

Realisation of investments

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

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

Balance of investments

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

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

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

Stewardship

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

Members' financial interests

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

Conflicts of interest

When appointing platform providers and choosing investment managers' funds on the provider's platform or choosing investment managers' funds, the Trustees will seek to establish that the platform provider and each investment manager has an appropriate conflicts of interest policy in place.

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

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

The Trustee will consider any conflicts of interest arising in the management of the funds used by the Scheme and will ensure that the platform providers and each investment manager has an appropriate conflicts of interest policy in place.

Voting and Engagement

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.

The Scheme's investments are pooled with other investors to keep costs down and ensure adequate diversification. As a result, the Trustee has adopted a policy of delegating voting decisions on stocks to the underlying fund managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The fund managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

Where relevant, the Trustee has reviewed the voting and engagement policies of the fund managers as well as the approach to governance of the investment platform provider and determined that these policies are appropriate. On an annual basis, (or more frequently if the Trustee considers it appropriate), the Trustee will request that the investment platform provider and fund managers provide details of their current house policy and any changes made since such details were last provided.

Where appropriate, the Trustee will engage with and may seek further information from the investment platform provider, fund managers and other key stakeholders on how the Scheme's investments may be affected by particular corporate behaviour or other governance issues.

The Trustee does not engage directly but believe it is appropriate for the fund managers to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to improve corporate behaviours, improve performance and mitigate financial risks. This includes impact on performance, capital structure, conflicts management risks, social and environmental impact and corporate governance. The Trustee aim to review engagement activity undertaken by the fund managers as part of its broader monitoring activity.

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

Monitoring

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

Non-financial factors

The Trustee recognises that some members will have strong views or convictions on where their savings should, or should not, be invested.

The Trustee recognises the importance of offering a suitable range of investment options for members who wish to express an ethical preference in their pension saving. The Trustee may conduct periodic surveys to ascertain members' views on non-financial factors relating to the Scheme's investments. Where applicable, the Trustee will consider member feedback on updating the range of self-select funds to take this into account.

While the Trustee will bear members' views in mind when reviewing the suitability of the Scheme's investment options and choice of funds used, the Trustee will not take those non-financial factors into account in the selection, retention and realisation of the default arrangements and other lifestyle strategies. The Trustee will also not be bound by the members' views (for instance where it is uneconomic or impracticable to do so).

The Scheme offers a fund managed on Shariah principles for members who are likely to hold stronger views in these areas than the majority of members.

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.

In all cases fund managers are expected to act in accordance with the financial interests of members and the Scheme's investment objectives.

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 Arrangement and the Alternative Lifestyle Options are intended to deliver good member outcomes at retirement from an appropriate balance of investment growth relative to inflation and the then pertinent investment risks.

Where an investment platform is used, it uses a life insurance company based legal vehicle for its funds. The fund managers used by the platform (and those managers used directly 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; Cash and other short-term interest bearing deposits; Commercial and residential property; Infrastructure and commodities through collective investment vehicles; Exchange Traded Funds to gain access to less easily traded and illiquid asset classes; Illiquid assets including infrastructure, forestry, private equity and private debt; Commodities through collective investment vehicles; and Derivatives to facilitate changes in where funds are invested or to help control investment risks.

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

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 Arrangement – Drawdown Lifestyle (Default) Strategy

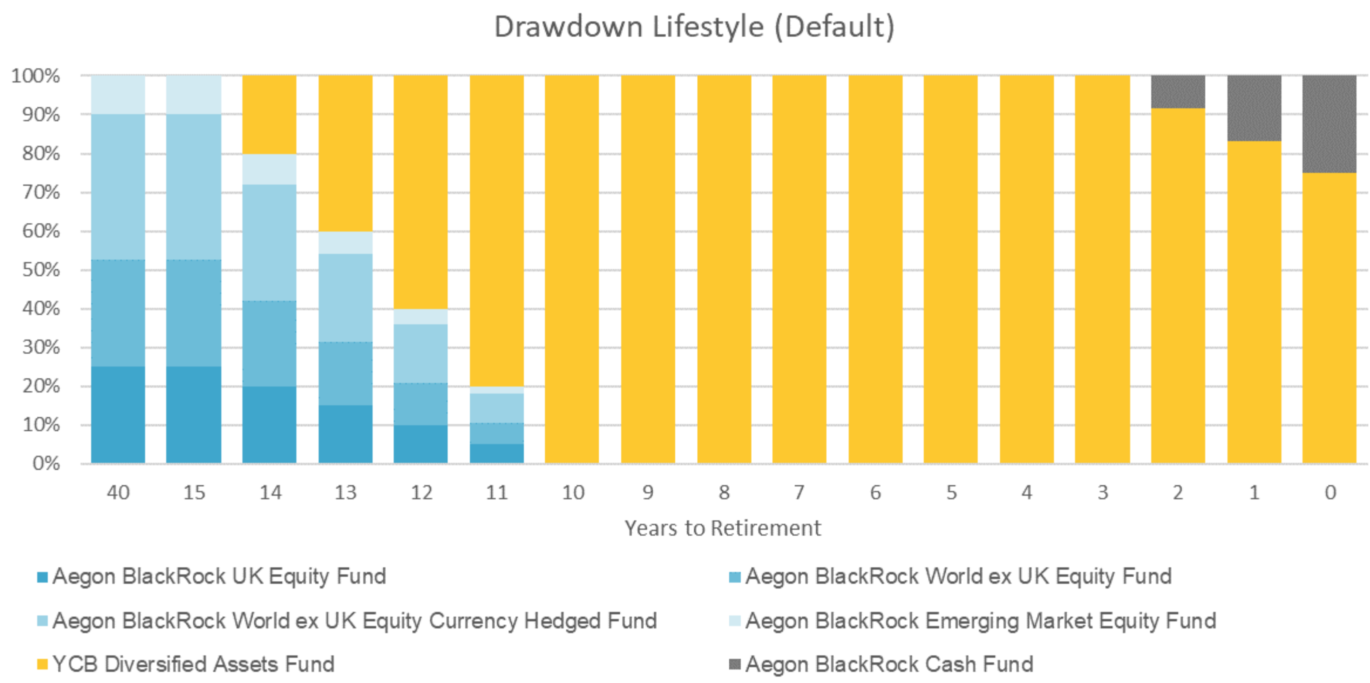
The Default Arrangement is a lifestyle strategy which targets cash and income drawdown at retirement.

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

Members are gradually switched into funds which are expected to give good returns relative to inflation while consolidating past investment gains between 15 and 3 years before their selected/normal retirement date.

Finally, members are automatically switched into funds aligned to their expected benefit choices at retirement during the last 3 years up to their selected/normal retirement date.

The Default Arrangement is as follows:



Fund allocation

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

Years to retirement	Aegon BlackRock UK Equity Fund %	Aegon BlackRock World ex UK Equity Fund %	Aegon BlackRock Currency Hedged World ex UK Equity Fund %	Aegon BlackRock Emerging Markets Equity Fund %	YCB Property Fund %	YCB Diversified Assets Fund %	Aegon BlackRock Cash Fund Cash %
15 or more	25	27.5	37.5	10	0	0	0
14	20	22	30	8	0	20	0
13	15	16.5	22.5	6	0	40	0
12	10	11	15	4	0	60	0
11	5	5.5	7.5	2	0	80	0
10	0	0	0	0	0	100	0
9	0	0	0	0	0	100	0
8	0	0	0	0	0	100	0
7	0	0	0	0	0	100	0
6	0	0	0	0	0	100	0
5	0	0	0	0	0	100	0
4	0	0	0	0	0	100	0
3	0	0	0	0	0	100	0
2	0	0	0	0	0	91.7	8.3
1	0	0	0	0	0	83.3	16.7
0	0	0	0	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 undertaken.

Funds and charges

The funds used by the default arrangement and their charges (expressed as a percentage annual management charge ("AMC") and Total Expense Ratio ("TER") as at 30 September 2020 are:

Fund	AMC %	TER %
Aegon BlackRock UK Equity Fund	0.08	0.09
Aegon BlackRock World ex UK Equity Fund	0.20	0.21
Aegon BlackRock Currency Hedged World ex UK Equity Fund	0.23	0.24
Aegon BlackRock Emerging Markets Equity Fund	0.25	0.31
YCB Diversified Assets Fund	0.30	0.33
Aegon BlackRock Cash Fund	0.125	0.125

Members in the Default Arrangement will see TERs range from 0.20% to 0.33%.

Investment costs

Fund charges

The investment fund managers' charges (and investment platform provider's charges in respect of the funds on the LGIM platform) for the investment options are borne by the members.

The Scheme is a "qualifying scheme" for auto-enrolment purposes, which means that the Default Arrangement is subject to the charge cap introduced by the government from April 2015. The Scheme's "charges year" in respect of the charge cap is annual 12 month periods to 30 September.

Transaction costs

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

Review

The present Default Arrangement was introduced in October 2015 (and amended in January 2018 and subsequently amended in April 2020 to deal with suspension of the YCB Property Fund).

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 arrangements. These arrangements are:

Legacy Annuity Lifestyle (formerly known as Annuity Lifestyle)

Objective

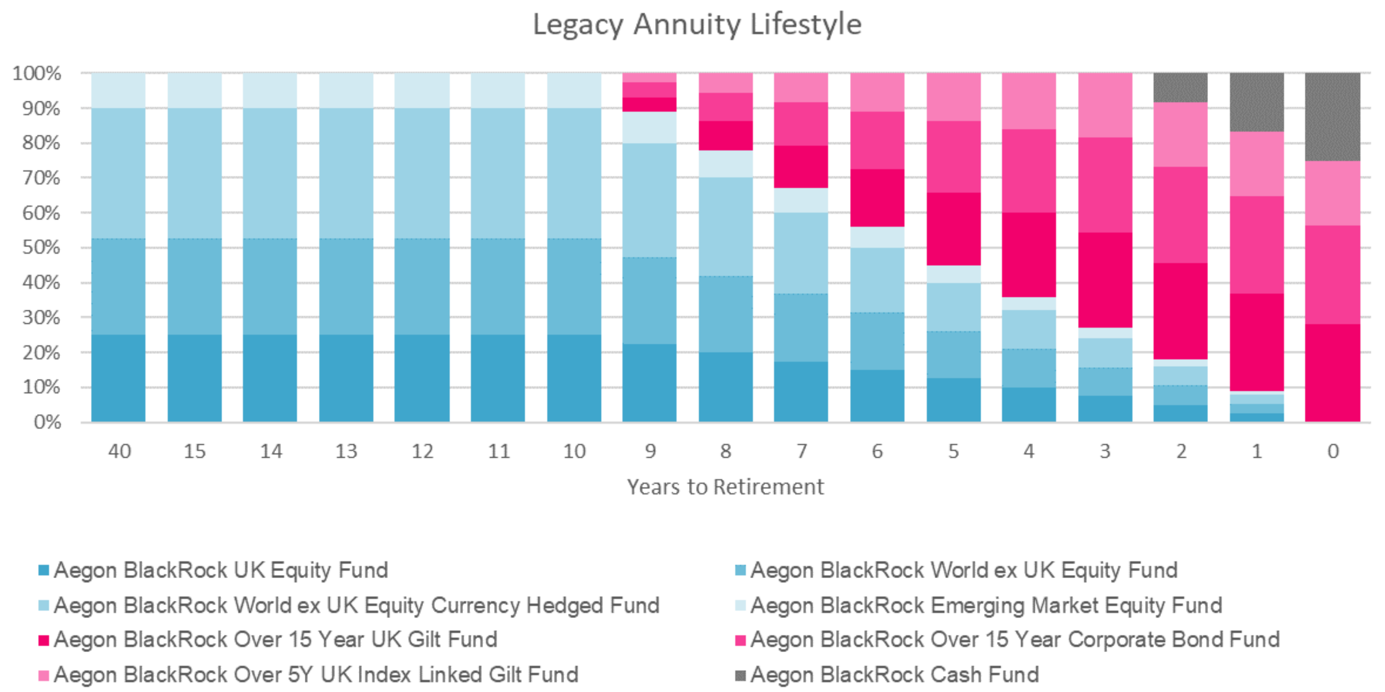
This is a lifestyle strategy which targets cash and annuity purchase at retirement. In August 2019, this Lifestyle was closed to new members of the scheme and existing members of the Scheme not contributing to it. Existing members already contributing can still make contributions to this lifestyle strategy. It was re-named legacy Annuity Lifestyle.

Approach

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

Members are automatically switched into funds aligned to their expected benefit choices at retirement during the last 3 years up to their selected/normal retirement date.

This arrangement is as follows:



Fund allocation

The allocation to each fund in the lifestyle strategy targeting annuity purchase at yearly intervals up to a member's selected/normal retirement date is:

Years to retirem-ent	Aegon BlackRock UK Equity Fund %	Aegon BlackRock World ex UK Equity Fund %	Aegon BlackRock Currency Hedged World ex UK Equity Fund%	Aegon BlackRock Emerging Markets Equity Fund %	YCB Property Fund %	Aegon BlackRock Over 15 Year UK Gilt Fund %	Aegon BlackRock Over 15 Years Corporate Bond Fund %	Aegon BlackRock Over 5 Years UK Index Linked Gilt Fund %	Aegon BlackRock Cash Fund %
10 or more	25	27.5	37.5	10	0	0	0	0	0
9	22.5	24.75	32.745	9	0	4.1	4.1	2.8	0
8	20	22	28	8	0	8.25	8.25	5.5	0
7	17.5	19.25	23.24.	7	0	12.4	12.4	8.2	0
6	15	16.5	18.5	6	0	16.5	16.5	11	0
5	12.5	13.75	13.75	5	0	20.6	20.6	13.8	0
4	10	11	11	4	0	24	24	16	0
3	7.5	8.25	8.25	3	0	27.4	27.4	18.2	0

2	5	5.5	5.5	2	0	27.6	27.6	18.4	8.3
1	2.5	2.75	2.75	1	0	27.9	27.9	18.6	16.7
0	0	0	0	0	0	28.1	28.1	18.7	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 undertaken.

Funds and charges

The funds used by the lifestyle strategy targeting annuity purchase and their charges (expressed as a percentage annual management charge ("AMC") and Total Expense Ratio ("TER")) as at 30 September 2020 are:

Fund	AMC %	TER %
Aegon BlackRock UK Equity Fund	0.08	0.09
Aegon BlackRock World ex UK Equity Fund	0.20	0.21
Aegon BlackRock Currency Hedged World ex UK Equity Fund	0.23	0.24
Aegon BlackRock Emerging Markets Equity Fund	0.25	0.31
Aegon BlackRock Over 15 Year UK Gilt Fund	0.08	0.09
Aegon BlackRock Over 15 Years Corporate Bond Fund	0.125	0.145
Aegon BlackRock Over 5 Years UK Index Linked Gilt Fund	0.08	0.09
Aegon BlackRock Cash Fund	0.125	0.125

Members in the lifestyle strategy targeting annuity purchase will see TERs range from 0.20% to 0.11%.

Cash Withdrawal Lifestyle

Objective

This is a lifestyle strategy which targets cash withdrawal at retirement or over a series of cash withdrawals over a few years.

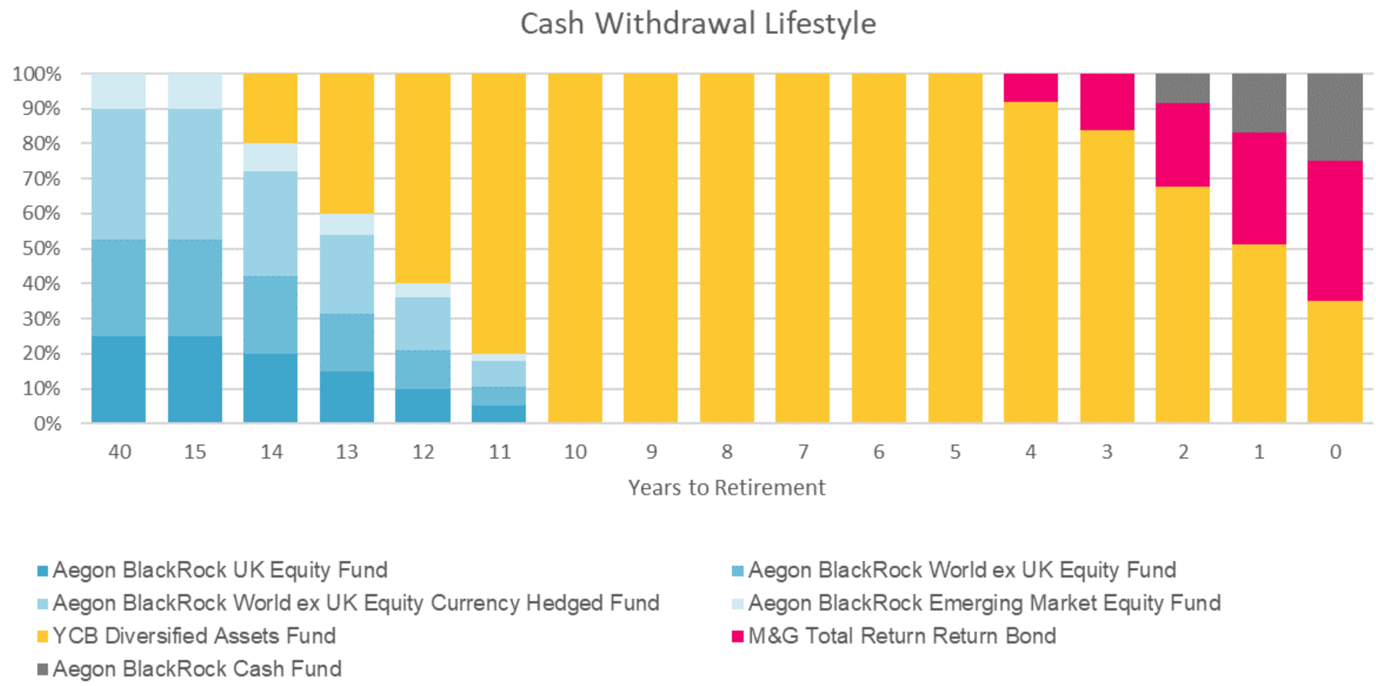
Approach

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

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

Finally, members are automatically switched into funds aligned to their expected benefit choices at retirement during the last 5 years up to their selected/normal retirement date.

This arrangement is as follows:



Fund allocation

The allocation to each fund in the Cash Withdrawal Lifestyle at yearly intervals up to a member's selected/normal retirement date is:

Years to retirement	Aegon BlackRock UK Equity Fund %	Aegon BlackRock World ex UK Equity Fund %	Aegon BlackRock Currency Hedged World ex UK Equity Fund %	Aegon BlackRock Emerging Markets Equity Fund %	YCB Property Fund %	YCB Diversified Assets Fund %	M&G Total Return Bond Fund	Aegon BlackRock Cash Fund Cash %
15 or	25	27.5	37.5	10	0	0	0	0
14	20	22	30	8	0	20	0	0
13	15	16.5	22.5	6	0	40	0	0
12	10	11	15	4	0	60	0	0
11	5	5.5	7.5	2	0	80	0	0
10	0	0	0	0	0	100	0	0
9	0	0	0	0	0	100	0	0
8	0	0	0	0	0	100	0	0
7	0	0	0	0	0	100	0	0
6	0	0	0	0	0	100	0	0
5	0	0	0	0	0	100	0	0
4	0	0	0	0	0	92	8	0
3	0	0	0	0	0	84	16	0

2	0	0	0	0	0	67.7	24	8.3
1	0	0	0	0	0	51.3	32	16.7
0	0	0	0	0	0	35	40	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 undertaken.

Funds and charges

The funds used by the Cash Withdrawal lifestyle and their charges (expressed as a percentage annual management charge ("AMC") and Total Expense Ratio ("TER") as at 30 September 2020 are:

Fund	AMC %	TER %
Aegon BlackRock UK Equity Fund	0.08	0.09
Aegon BlackRock World ex UK Equity Fund	0.20	0.21
Aegon BlackRock Currency Hedged World ex UK Equity Fund	0.23	0.24
Aegon BlackRock Emerging Markets Equity Fund	0.25	0.31
YCB Diversified Assets Fund	0.30	0.33
M&G Total Return Bond Fund	0.45	0.45
Aegon BlackRock Cash Fund	0.125	0.125

Members in the Cash Withdrawal Lifestyle will see TERs range from 0.20% to 0.35%.

Review

The lifestyle strategy targeting annuity purchase (now called the Legacy Annuity Lifestyle) has been in place for over 10 years although it has been reviewed and amended on a regular basis. In particular both lifestyle arrangements (the default and Legacy Annuity Lifestyle) were reviewed most recently in 2014/15 and 2017 and further lifestyle modifications introduced in 2019. This included the addition of the Cash Withdrawal Lifestyle described above and a new Annuity Lifestyle described in the next section. The Legacy Annuity Lifestyle has been closed to new members since August 2019 and only members invested in at August 2019 can continue to contribute to it. All lifestyles were reviewed and amended in April 2020 to deal with suspension of the YCB Property Fund.

Single Funds falling under definition of Default Arrangements

A number of individual funds into which members have been transferred without explicit consent can be construed as "default arrangements" under The Occupational Pension Scheme (Charges and Governance) Regulations 2015

Funds and charges

The charges for the funds defined as default arrangements expressed as a percentage annual management charge ("AMC") and Total Expense Ratio ("TER") as at 30 September 2020 are:

Fund	AMC %	TER %
YCB Diversified Assets Fund	0.30	0.33

Review

The YCB Diversified Assets Fund was introduced on 16 January 2018.

Inadvertent default arrangements

Due to the temporary suspension of trading in the YCB Property Fund, member contributions to the YCB Property Funds for self-select members have been redirected to the Aegon BlackRock Cash Fund. Members have been advised of this and have been invited to redirect contributions to another Fund if they wish. Members will also be advised when the YCB Property Fund suspension is lifted and invited to re-commence contributions to it should they wish.

The charges for the Aegon BlackRock Cash Fund expressed as a percentage annual management charge (“AMC”) and Total Expense Ratio (“TER”) as at 30 September 2020 are 0.125% p.a.:

The Aegon BlackRock Cash Fund is part of the current self-select fund range has been in place for over 10 years although it has been reviewed on a regular basis as part of the review of self-select funds. In particular the fund range was reviewed most recently in 2014/15 and 2017.

Appendix B
Investment implementation for investment options outside the default arrangements

Other Lifestyle Options

Annuity Lifestyle

Objective

This is a lifestyle strategy which targets cash and annuity purchase at retirement.

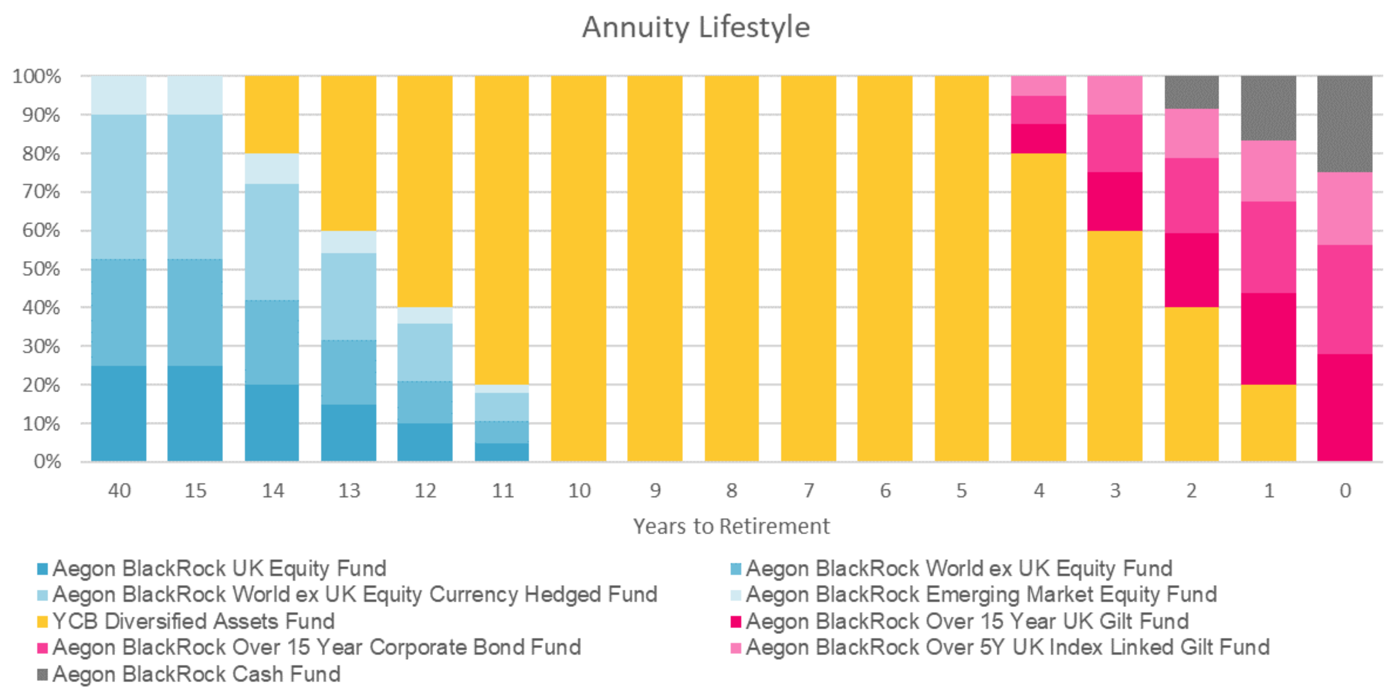
Approach

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

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

Finally, members are automatically switched into funds aligned to their expected benefit choices at retirement during the last 5 years up to their selected/normal retirement date.

This arrangement is as follows:



Fund allocation

The allocation to each fund in the Annuity Lifestyle at yearly intervals up to a member's selected/normal retirement date is:

Years to retirement	Aegon BlackRock UK	Aegon BlackRock World	Aegon BlackRock Curren	Aegon BlackRock Emergi	YCB Property	YCB Diversified	Aegon BlackRock Over 15 Year	Aegon BlackRock Over 15	Aegon BlackRock Over 5 Years	Aegon BlackRock Cash

	Equity Fund %	ex UK Equity Fund %	cy Hedge d World ex UK Equity Fund %	ng Market s Equity Fund %	Fund %	Assets Fund %	UK Gilt Fund %	Years Corpora te Bond Fund %	UK Index Linked Gilt Fund %	Fund Cash %
15 or	25	27.5	37.5	10	0	0	0	0	0	0
14	20	22	30	8	0	20	0	0	0	0
13	15	16.5	22.5	6	0	40	0	0	0	0
12	10	11	15	4	0	60	0	0	0	0
11	5	5.5	7.5	2	0	80	0	0	0	0
10	0	0	0	0	0	100	0	0	0	0
9	0	0	0	0	0	100	0	0	0	0
8	0	0	0	0	0	100	0	0	0	0
7	0	0	0	0	0	100	0	0	0	0
6	0	0	0	0	0	100	0	0	0	0
5	0	0	0	0	0	100	0	0	0	0
4	0	0	0	0	0	80	7.5	7.5	5	0
3	0	0	0	0	0	60	15	15	10	0
2	0	0	0	0	0	40	19.4	19.4	12.9	8.3
1	0	0	0	0	0	20	23.7	23.7	15.8	16.7
0	0	0	0	0	0	0	28.1	28.1	18.8	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 undertaken.

Funds and charges

The funds used by the Annuity Lifestyle option and their charges (expressed as a percentage annual management charge (“AMC”) and Total Expense Ratio (“TER”) as at 30 September 2020 are:

Fund	AMC %	TER %
Aegon BlackRock UK Equity Fund	0.08	0.09
Aegon BlackRock World ex UK Equity Fund	0.20	0.21
Aegon BlackRock Currency Hedged World ex UK Equity Fund	0.23	0.24
Aegon BlackRock Emerging Markets Equity Fund	0.25	0.31
YCB Property Fund	0.70	0.72
YCB Diversified Assets Fund	0.30	0.33
Aegon BlackRock Over 15 Year UK Gilt Fund	0.08	0.09
Aegon BlackRock Over 15 Years Corporate Bond Fund	0.125	0.145
Aegon BlackRock Over 5 Years UK Index Linked Gilt Fund	0.08	0.09

Aegon BlackRock Cash Fund	0.125	0.125

Members in the Annuity Lifestyle will see TERs range from 0.33% to 0.11%.

Review

The Annuity Lifestyle option was introduced in August 2019 as part of the implementation of the review of lifestyle strategies described above. This differs from the former Annuity Lifestyle option (now re-named "Legacy Annuity Lifestyle") which was closed to new members from August 2019 although members already contributing to it can continue to do so. Further details are shown in Appendix A. The Annuity Lifestyle was reviewed and amended in April 2020 to deal with suspension of the YCB Property Fund

Self-select fund range

The Scheme offers members a choice of self-select funds options as an alternative to the default arrangements and the alternative lifestyle strategy targeting annuity purchase.

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 30 September 2020 are:

Fund	AMC %	TER %
Aegon BlackRock UK Equity Fund	0.08	0.09
Aegon BlackRock World ex UK Equity Fund	0.20	0.21
Aegon BlackRock Emerging Markets Equity Fund	0.25	0.31
Aegon BlackRock Over 15 Year UK Gilt Fund	0.08	0.09
Aegon BlackRock Over 15 Years Corporate Bond Fund	0.125	0.145
Aegon BlackRock Over 5 Years UK Index Linked Gilt Fund	0.08	0.09
Aegon BlackRock Balanced Fund	0.12	0.13
Aegon BlackRock Cash Fund	0.125	0.125
YCB Diversified Assets Fund	0.30	0.33
YCB Property Fund	0.70	0.72
HSBC Islamic Global Equity Fund	0.30	0.30
M&G Total Return Bond Fund	0.45	0.45

Use of options

Members cannot contribute to the lifestyle option[s] and self-select funds at the same time.

Members cannot have investments from previous contributions in the lifestyle option[s] and self-select funds at the same time.

For different contribution groups (regular contributions and single premium contributions), members can contribute to the lifestyle option[s] and self-select funds at the same time in respect of the different contribution types.

Investment costs

The fund managers' charges (and investment platform charges in respect of the Funds accessed on LGIM's investment platform) 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 current self-select fund range has been in place for over 10 years although they have been reviewed and amended on a regular basis. In particular the fund range was reviewed most recently in 2014/15 and 2017 and, an additional fund, the M&G Total Return Bond Fund was added to the range in August 2019.

The self-select range has also evolved over time including the addition of the HSBC Amanah Fund (now called HSBC Islamic Global Equity Fund) in 2009, the Schroders Life and BlackRock Diversified Growth Funds in 2010, the LGIM Managed Property Fund in 2011 and the YCB Diversified Assets Fund in 2018. The Schroders Life and BlackRock Diversified Growth Funds were removed in 2018.

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 and related guidance.

Exercising the Trustee's Powers

The Trustee has responsibility for setting the Scheme's investment strategy and exercises its powers under the Scheme's governing documentation and legislation in the interests of Scheme 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.

A number of Trustee sub-committees may also be in operation from time to time, to enable the efficient management of the Scheme.

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 receives a report on the Scheme's assets and 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.

Value for members - The member borne charges for the default arrangement 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 arrangement, other default arrangements and investment options outside the default arrangements 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.

Reporting

The Trustee arranges for the preparation of:

- The Scheme's audited Annual Report and Accounts (which includes the Annual Governance Statement);
- The Annual Governance Statement by the Chair of Trustee describing the Scheme's investment costs, value for members and governance during the previous year;
- Publication of an extract from the Annual Governance Statement by the Chair of Trustees 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
Investment platform provider	In relation to YCB Diversified Assets Fund which is accessed through LGIM's investment platform	Percentage of fund value included within funds' Total Expense Ratios
Fund managers	As shown in Appendices A and B	Percentage of fund value included within funds' Total Expense Ratios
Custodians	Selected by the fund managers (except BNY Mellon in respect of custody of BlackRock investments, which is governed by a contract between the Trustee and BNY Mellon)	Percentage of fund value included within funds' Total Expense Ratios
Pension administrator	Willis Towers Watson	Fixed Fee, Membership Number related fees and time cost for additional work
Auditor	Ernst & Young	Fixed Fee
Investment Consultant	Hymans Robertson LLP	Annual fixed fee for specified work plus Time cost fees for additional work
Legal advisers	Sacker & Partners LLP	Time cost fees plus fixed fees for specified work

Appendix E
Summary of Naming Conventions

	Current Investment Manager Contractual Name	Name formerly used			New Name under agreed naming conventions
		ePA	Investment Guide	Investment Choice Form	
BlackRock (now Aegon BlackRock)	Aegon BlackRock Aquila Life UK Equity (BLK) S3	BGI UK Equity Index Fund (BGUK)	BlackRock UK Equity Fund	BlackRock UK Equity Index Fund	**Aegon BlackRock UK Equity Fund**
	Aegon BlackRock Aquila Life World (Ex UK) Equity Index (BLK) S7	BGI World (ex-UK) Index Fund (BGWE)	BlackRock Overseas Equity Fund	BlackRock Overseas Equity Fund	**Aegon BlackRock World ex UK Equity Fund**
	Aegon BlackRock Aquila Life Over 15 Year UK Gilt (BLK) S5	BGI Over 15 years UK gilt Index Fund (BGGI)	BlackRock UK Government Long Bond Fund	BlackRock UK Govt Long Bond Fund	**Aegon BlackRock Over 15 Year UK Gilt Fund**
	Aegon BlackRock Aquila Life Over 5 Years UK Index Linked Gilt (BLK) S5	BGI Over 5 years Index Linked Gilt (BGIL)	BlackRock UK Government Inflation Linked Bond Fund	BlackRock UK Govt Inflation Linked Bond Fund	**Aegon BlackRock Over 5 Years UK Index Linked Gilt Fund**
	Aegon BlackRock Over 15 Years Corporate Bond Index (BLK) S4	BGI Corporate Bond Index Fund Over 15 Years (BGCB)	BlackRock Corporate Bond Fund	BlackRock Corporate Bond Fund	**Aegon BlackRock Over 15 Years Corporate Bond Fund**
	Aegon BlackRock Cash (BLK) S4	BGI Cash Fund (BGCA)	BlackRock Cash Fund	BlackRock Cash Fund	**Aegon BlackRock Cash Fund**
	Aegon BlackRock Balanced Index (BLK) S4	BGI Balanced Fund (BGBA)	BlackRock Balanced Fund	BlackRock Balanced Fund	**Aegon BlackRock Balanced Fund**
	Aegon BlackRock Emerging Markets Equity Index (BLK) H2	BGI Emerging Markets Index Fund (BGEM)	BlackRock Emerging Markets Equity Fund	BlackRock Emerging Markets Index Fund	**Aegon BlackRock Emerging Markets Equity Fund**
	Aegon BlackRock Aquila Life Currency Hedged World (Ex UK) Equity Index (BLK) S7	BGI World ex UK Equity (Currency Hedged) Index			**Aegon BlackRock Currency Hedged World ex UK Equity Fund**
Legal & General	LGIM YCB Diversified Assets Fund	Diversified Assets Fund	Diversified Assets Fund	Diversified Assets Fund	**YCB Diversified Assets Fund**
	LGIM YCB Property Fund (net)	Legal & General Property Fund (LGPF)	Legal & General Property Fund	Legal & General Property Fund	**YCB Property Fund**
HSBC	HSBC Islamic Global Equity Index Fund	Amanah Pension Fund	HSBC Amanah Pension Fund	HSBC Amanah Pension	**HSBC Islamic Global Equity Fund**
M&G	M&G Total Return Credit Investment Fund				**M&G Total Return Bond Fund**