SONI Limited Pension Scheme (“the Scheme”)

Chair’s statement regarding the governance of defined contribution benefits

Scheme year - 1 April 2020 to 31 March 2021

1. Introduction

1.1. This statement has been prepared by the Trustees of the Scheme (“the Trustees”) to report on compliance with governance standards.

1.2. The governance standards apply to defined contribution (DC) arrangements and are designed to help members achieve good outcomes from their pension savings.

1.3. This statement covers the scheme year 1 April 2020 to 31 March 2021 (“the Scheme year”).

2. The Scheme’s DC arrangements

2.1. The Scheme’s DC arrangements comprise:

2.1.1. The Options Section – this section holds the Scheme’s main DC benefits, i.e. those arising from standard contributions and additional voluntary contributions (“AVCs”). These benefits are administered by Barnett Waddingham. Funds are invested through Aegon’s investment-only platform

2.1.2. Bonus Accounts within the Focus Section, the defined benefit section of the Scheme. These accounts have historically comprised of “bonus” contributions made by SONI Limited (“the Company”) and AVCs, and funds are invested alongside the Options Section assets with Aegon.

2.2. The Options Section is open to new joiners and future contributions and is used as a ‘qualifying’ workplace pension scheme for automatic enrolment purposes.

3. Default arrangement

3.1. The Scheme has had three default investment arrangements throughout the reporting period for the purposes of the governance standards, all of which are versions of BlackRock’s “LifePath” target-date funds. These are as follows:

3.1.1. Aegon BlackRock LifePath Flexi (“Default”) has been the Options Section default arrangement for new joiners since it was implemented in 1 May 2018. It is also the default arrangement for existing Options Section members who were 5 years or more from their target retirement age (“TRA”) as at the same date. This strategy uses a ‘target date fund’ approach to de-risk members’ investments as they approach their TRA. Through the Default, members invest in a single fund at all times, however BlackRock manage and adjust the underlying investment portfolio to provide an appropriate level of risk at each stage of the member journey, from the inception of the policy up to and through retirement.

3.1.2. The Default consists of a series of funds with the underlying investments built around investors moving to retirement at some stage in a particular three year window (2043 to 2045 for example). LifePath Flexi is designed to target drawdown at a member’s TRA and has been structured to offer a strategy that is appropriate both up to and through retirement. The drawdown portfolio targets a holding of 40% in equities and 60% in bonds at TRA and is maintained throughout the decumulation phase.

3.1.3. LifePath Retirement is the default arrangement for both Options and Focus Section members who were 5 years or less from their TRA as at 1 May 2018.

3.1.4. LifePath Capital is the default investment arrangement for Focus Section members with Bonus Accounts who were 5 years or more from their TRA as at 1 May 2018.

3.1.5. Like the Default, both LifePath Capital and LifePath Retirement are a series of funds with 3 year retirement windows. LifePath Capital is designed to target cash at a member's TRA which is deemed the likely benefit choice for members within the Focus Section. LifePath Retirement is designed to target fixed income type investments in readiness for a member to buy a fixed income for life ('an annuity') when they retire. The retirement portfolio targets a holding of 25% cash and 75% in fixed income at the member's TRA.

3.1.6. Alongside the default strategies, the Trustees have made all three variants of LifePath (Capital, Flexi and Retirement) available to members on a self-select basis. Six other individual funds are also available that cover the major asset classes. These are managed by BlackRock and LGIM and are hosted on the Aegon investment platform. The investments available are the same for the Options Section and Focus Section Bonus Accounts.

3.2. Further details of the Default are set out in the 'Statement of Investment Principles' ("SIP"), which has been appended to this statement in Appendix 2. This covers the investment policy in relation to the entire Scheme.

Review of the default

3.3. No formal review of the default was undertaken in the Scheme year. The strategy and performance of the default were last formally reviewed at a trustee meeting in October 2017, with a formal recommendation to change the default strategy agreed by the Trustees at a further meeting on 9 March 2018.

3.4. With assistance from Barnett Waddingham LLP, the Scheme's investment advisors, the Trustees review the performance of all the DC Section investment options, including the default strategies, on a quarterly basis. During the reporting period, the Trustees were satisfied that the performance of the defaults was consistent with their aims and objectives, which are outlined in the Statement of Investment Principles.

3.5. The Trustees will look to start a review of the default options in the current (2021/22) Scheme year to ensure they continue to remain suitable for the membership.

4. Core financial transactions

4.1. The Trustees have a specific duty to ensure that 'core financial transactions' are processed promptly and accurately.

4.2. Core financial transactions comprise the following:

4.2.1. Investment of contributions into the Options Section

4.2.2. Transfers into and out of the Scheme

4.2.3. Investment switches within the Scheme

4.2.4. Other payments out of the Scheme (e.g. retirement payments, death payments).

4.3. Core financial transactions for both the Options and Focus Sections are undertaken for the Trustees by the Scheme administrators, Barnett Waddingham LLP.

Controls in place

4.4. The controls in place in relation to ensuring the promptness and accuracy of core financial transactions are:

4.4.1. The Trustees have Service Level Agreements (SLAs) in place with Barnett Waddingham, the Scheme's administrator. The administrator aims to process at least 95% of core financial transactions within the service level for each type of transaction. Barnett Waddingham undertakes to ensure that core financial transactions are processed within the SLAs set out below:

Core financial transaction	Service Level Agreement
Contribution files	5 working days
Transfer payments (in or out)	3 working days
Investment switches	5 working days
Payments out of the Scheme	5 working days

4.4.2. Barnett Waddingham monitors that contributions are paid within regulatory timescales. All contributions during the Scheme year were paid well within these timescales.

4.4.3. All tasks completed by an administrator go through a robust checking process and any payments or investment activities in relation to the Scheme are authorised by a senior member of the team.

4.4.4. Barnett Waddingham operates a pooled banking facility. The Barnett Waddingham pension administration system is updated daily to show reconciled balances to the pooled banking system. Financial Conduct Authority regulations for holding client monies mean that Barnett Waddingham must carry out an internal and external reconciliation every day.

4.4.5. The audit of the Scheme's annual report and accounts.

4.4.6. The Trustees monitor the quality of the data held by Barnett Waddingham on an ongoing basis. Both common data and scheme-specific data scores are produced quarterly, and the Trustees will take action to improve data quality wherever possible. As at April 2021, the common data score for the Scheme was 97.24%, and the scheme-specific data score was 90.06%. Under the methodology used, both of these scores indicate "very good data with minimal cleansing requirements".

4.4.7. Barnett Waddingham's administration controls and processes are subject to a formal external audit for the annual assurance report on internal controls.

4.4.8. Any material issues uncovered regarding inaccuracies with core financial transactions are included within the administrator's regular reporting to the Trustees.

Performance during the scheme year

4.5. During the Scheme year, Barnett Waddingham provided the Trustees with three administration reports that included reporting of service performance against the SLAs and identified any issues arising regarding administration accuracy.

4.6. Overall administration service levels for the Scheme over the Scheme year were as follows:

- April 2020 – August 2020: 90%
- September 2020 – December 2020 : 96%
- January 2021 – April 2021: 96%

Only a small number of these overall cases related to DC core financial transactions, and no issues around the promptness of processing these cases were raised during the year.

4.7. One investment switch error was reported during the Scheme year, but this was identified and corrected immediately with no loss of value to the member. The Trustees were not aware of any unresolved issues in relation to core financial transactions at the end of the Scheme year.

4.8. The Trustees believe that these measures have enabled them to monitor the promptness and accuracy of core financial transactions, and will allow them to continue to carefully scrutinise SLA achievement going forward.

Assessment

4.9. In view of the controls and monitoring arrangements in place, and the way in which any issues experienced during the Scheme year were handled, the Trustees believe that core financial transactions have been processed promptly and accurately.

5. Member-borne charges and transaction costs

5.1. Members bear charges and transaction costs, which will differ depending on the investment options in which their pension savings are invested:

5.1.1. Charges: these are expressed as a percentage of the value of a member's holdings within an investment fund, and can be made up of a combination of charges, e.g. annual management charge and additional expenses. We refer to the total annual charge as the Total Expense Ratio (TER).

5.1.2. Transaction costs: these relate to the variable costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the TER charge.

5.2. The table below provides details of the explicit and implicit charges applied to each of the investment options provided through both the Options Section and Focus Section over the Scheme year (data sourced from Aegon as at 31 March 2021).

Default arrangements

Investment option	TER (p.a.)	Transaction Costs (p.a.)
Aegon BlackRock LifePath Capital 2019-2021	0.360%	0.014%
Aegon BlackRock LifePath Capital 2022-2024	0.360%	0.023%
Aegon BlackRock LifePath Capital 2025-2027	0.360%	0.032%
Aegon BlackRock LifePath Capital 2028-2030	0.360%	0.054%
Aegon BlackRock LifePath Capital 2031-2033	0.360%	0.049%
Aegon BlackRock LifePath Flexi 2025-2027	0.360%	0.038%
Aegon BlackRock LifePath Flexi 2028-2030	0.360%	0.057%
Aegon BlackRock LifePath Flexi 2031-2033	0.360%	0.049%
Aegon BlackRock LifePath Flexi 2034-2036	0.360%	0.054%
Aegon BlackRock LifePath Flexi 2037-2039	0.360%	0.034%

Investment option	TER (p.a.)	Transaction Costs (p.a.)
Aegon BlackRock LifePath Flexi 2040-2042	0.360%	0.059%
Aegon BlackRock LifePath Flexi 2043-2045	0.360%	0.031%
Aegon BlackRock LifePath Flexi 2046-2048	0.360%	0.071%
Aegon BlackRock LifePath Flexi 2049-2051	0.360%	0.038%
Aegon BlackRock LifePath Flexi 2052-2054	0.360%	0.073%
Aegon BlackRock LifePath Flexi 2055-2057	0.360%	0.096%
Aegon BlackRock LifePath Flexi 2058-2060	0.360%	0.096%
Aegon BlackRock LifePath Flexi 2061-2063	0.360%	0.096%
Aegon BlackRock LifePath Retirement 2019-2021	0.360%	0.029%

Other investment options

Investment option	TER (p.a.)	Transaction Costs (p.a.)
Aegon BlackRock Cash	0.280%	0.014%
Aegon BlackRock Diversified Growth	0.600%	0.531%
Aegon BlackRock Index-Linked Gilt	0.300%	-0.013%
Aegon BlackRock Pre-Retirement	0.300%	0.036%
Aegon BlackRock UK Equity Optimum	0.600%	0.148%
Aegon LGIM Global Equity (50:50) Index	0.310%	0.004%

5.3. In certain circumstances, the methodology for calculating transaction costs (known as 'slippage') can lead to negative costs being reported. This can be, for example, where other market activity pushes down the price of the asset being traded, whilst the transaction was in progress, resulting in the asset being purchased for a lower price than when the trade was initiated.

Impact of the costs and charges applied through the Scheme

5.4. To demonstrate the impact of charges and transaction costs on members' pension savings over time, the Trustees have produced illustrations and these are set out in Appendix 1.

Value for members

5.5. The Trustees are required to assess annually the extent to which the charges and transaction costs borne by members represent good value.

5.6. Analysis was undertaken by the Trustees' professional advisers, Barnett Waddingham LLP, and the findings set out in a report dated September 2021. The Trustees considered the report and confirmed its value for members' assessment at a meeting on 6 October 2021.

5.7. Recognising that low cost does not necessarily mean good value, the assessment considered whether the services for which members pay or share the costs are suitable for, relevant to and (likely to be) valued by members and whether performance of the services had been effective. Consideration was also made of the costs relative to other options available in the market.

5.8. Various investment-related services for which members do not directly bear the costs are nevertheless inextricably linked to creating the environment under which investment returns are delivered, e.g. strategy, monitoring and the investment governance structure, so these were included in the assessment.

5.9. Other services paid for by the Company were excluded but nevertheless deliver value to members, e.g. the services of professional advisers and the operation of the trustee board, with a duty to act in the best interest of members.

5.10. In relation to all of the Scheme's DC arrangements, the member-borne charges and transaction costs relate to the cost of provision of investment management and manager governance services. Administration, communications and broader scheme governance costs are paid for by the Company.

5.11. The assessment considered:

5.11.1. in relation to investment services:

5.11.1.1. the investment strategy, e.g. the design of the default and range of alternative options

5.11.1.2. the arrangements for monitoring the performance of the investment options and reviewing the investment strategy

5.11.1.3. the investment governance arrangements

5.11.2. the value received from the investment services relative to other options available in the market.

5.12. The Trustees concluded that the Scheme's DC arrangements offer **excellent value** in relation to the charges and transaction costs borne by members.

5.13. In reaching this conclusion, the Trustees recognised:

5.13.1. The Scheme has a governance structure that is appropriate relative to its size and structure. This is documented in the SIP, which has been updated within the Scheme year to reflect the latest regulatory requirements. Investment matters are considered by the full trustee board at meetings with assistance from Barnett Waddingham LLP, an FCA-regulated professional adviser. An independent and professional trustee serves as Chair of the Trustees, bringing experience and professional expertise to the Scheme's governance.

5.13.2. The Scheme uses LifePath as a default investment strategy. This is a sophisticated range of target date funds that features automatic de-risking and that can be configured by members to suit their own circumstances. These also undergo significant ongoing governance from Aegon, who use these strategies in their workplace pension arrangements, in addition to that undertaken by the Trustees. When these strategies were introduced to the Scheme, members were initially switched into particular LifePath funds that demographic analysis indicated would best suit their own circumstances; however members also have the ability to self-select from the range of LifePath vintages, or a number of other individual funds on the Aegon platform to suit their own circumstances.

5.13.3. Investment performance monitoring is undertaken on a regular and ongoing basis with the assistance of Barnett Waddingham LLP, the Scheme's investment advisers, and this includes advice on long-term market conditions.

5.13.4. The Scheme default arrangements over good relative value compared to workplace pension schemes of a similar size and structure.

5.13.5. No matters were identified as detracting value for members.

6. Trustee knowledge and understanding

The Trustee Board

6.1. The Trustees comprise five individual trustees, two of whom are nominated by the members and three of whom are appointed by the Company.

6.2. Jo Aston, an employer-nominated trustee, retired from the trustee board during the Scheme year, and as at the effective date of this statement, Natasha Sayee was in the process of being appointed as a new employer-nominated trustee. This new appointment was completed in June 2021. The Chair of the Trustees is Dalriada Trustees Limited, a professional trustee company, who are represented by Greig McGuinness.

Trustee knowledge and understanding requirements

6.3. The Trustees are required to be conversant with the Scheme's main documents, and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets to enable them to properly exercise their functions.

Approach

6.4. The Trustees aim to remain conversant with the Scheme's trust deed and rules as well as all other Scheme documents such as the Statement of Investment Principles (SIP), the risk register and current policies, e.g. conflicts of interest. They do so through their experience in governing the Scheme, as well as specific activities over the Scheme year and access to professional advice

6.5. The Trustees aim to achieve and maintain knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets through a combination of training, taking professional advice and the inclusion of a professional trustee as a trustee and chair.

6.6. The independent and professional trustee holds multiple trustee roles which provides a breadth of industry experience and exposure to different professional advisers. Dalriada Trustees Limited also provide significant support and oversight for their trustee representatives, including peer review support for significant decisions, internal disclosures and continuous professional development (CPD) requirements. They also have a robust internal handover process should a change in representative on the Scheme's trustee board be required in the future.

6.7. There is a training programme in place to meet knowledge gaps and training needs in relation to emerging legislation, Scheme changes and upcoming matters in the Scheme's calendar. The majority of training takes place at trustee meetings. New trustees are required to complete the Pensions Regulator's trustee toolkit within 6 months of appointment. A training log is maintained in relation to training undertaken and is reviewed at each trustee meeting. As a professional trustee, the Chair complies with CPD requirements of both the Association of Professional Pension Trustees and the Pensions Management Institute, in line with their responsibilities as a professional trustee.

6.8. The Trustees supplement training received at trustee meetings with further training activities such as attending seminars and conferences, and reading pensions-related articles.

6.9. The Trustees consult with professional advisers as and when required, for example on consultancy, investment and legal matters. The professional advisers are engaged to pro-actively alert the Trustees on relevant changes to pension and trust law. Professional advisers also provide support in relation to understanding and reviewing the Scheme's documents, attending trustee meetings and often in the delivery of training at these meetings.

Activities over the scheme year

6.10. During the Scheme year, in relation to the Scheme documentation, the Trustees:

6.10.1. Updated the Statement of Investment Principles to document the Trustees' stewardship policy and their arrangements with their asset managers.

6.10.2. Produced an Implementation Statement in order to document how the Trustees have acted in accordance with their investment policies, as outlined in the SIP.

6.10.3. Recorded the changes in composition of the trustee board via Deeds of Removal and Appointment.

6.10.4. Submitted a statement to the Competition and Markets Authority confirming that they had complied with the relevant order.

6.11. During the reporting period, the Trustees received training on :

6.11.1. The effect of the Covid-19 pandemic on the Scheme and it's service provision;

6.11.2. The requirement for Trustees to produce an Implementation Statement, and update the SIP to provide details of the Trustees' stewardship policy;

6.11.3. SONI's DC pension strategy and the alternatives available in the marketplace;

6.11.4. Legislative updates and developments in the DC pension environment.

6.12. During the period covered by this statement, the Trustees took professional advice on:

6.12.1. The annual Value for Member assessment;

6.12.2. Completion of the annual DC governance statement;

6.12.3. Updates to the SIP and production of the Implementation Statement;

6.12.4. Monitoring of the Scheme's investments; and

6.12.5. Statutory Money Purchase Illustration assumptions.

Assessment

6.13. The Trustees comprise of company-appointed and member-nominated individuals from different professional backgrounds who bring a diversity of experience and perspective, and allow for comprehensive consideration of the issues pertinent to the Scheme and its members.

6.14. The Trustees consider that their combined knowledge and understanding, together with their access to professional advice, enables them to properly and effectively exercise their trustee functions in the following ways:

6.14.1. The Trustees are able to challenge and question advisers, service providers and other parties effectively;

6.14.2. Trustee decisions are made in accordance with the Scheme rules and in line with trust law duties; and

6.14.3. The Trustees' decisions are not compromised by such things as conflicts or hospitality arrangements.

7. Covid-19 pandemic response

7.1. During the Scheme year covered by this statement, we have been experiencing the Covid-19 pandemic. The Trustees have identified and managed the key risks posed to the Plan and issued a communication to DC members during the period of investment market volatility that outlined key messages around what is causing this volatility and reassured members about the long-term nature of pension investing.

7.2. In addition, the Trustees have remained in regular contact with their advisers and service providers to ensure their business continuity plans are in place and are working. All functions of the Trustees' administrator and other service providers are working as expected but have largely been from 'remote working' locations.

7.3. The Trustees have continued to hold meetings albeit in a virtual setting.

Greig McGuinness	**26/10/2021**
…………………………………………………………………………	……………………………………………
Greig McGuinness, of Dalriada Trustees Limited	
Chair of the Trustees	Date

Appendix 1 - Illustrations on the impact of cost and charges

A1.1. To demonstrate the impact of member-borne charges and transaction costs on the value of members' pension savings, the Trustee has produced illustrations in accordance with statutory guidance. These show the impact of charges and transaction costs for representative cross-sections of the membership and investment options.

Parameters used for the illustrations

A1.2. The membership of the Options Section and the Bonus Accounts within the Focus Section, and the investment options offered, were analysed in determining the parameters to be used. Using this data, we have constructed one set of illustrations that are representative of the Options Section, and a second set of illustration that are representative of members with Bonus Accounts in the Focus Section.

A1.3. Pot size: pot sizes of £35,000 and £18,000 have been used; these represent the median pot values (rounded to the nearest £1,000) of Options Section and Focus Section Bonus Account members respectively as at 31 March 2021.

A1.4. Future contributions: The Trustees have included future annual contributions of 16% of pensionable salary in the illustration for the Options Section as this section remains open to future contributions, and this is the median contribution rate paid by these members. As regular contributions are not paid into Focus Section Bonus Accounts, the illustration for these members assumes no further contributions are paid.

A1.5. Pensionable salary: a starting pensionable salary of £48,000 has been used as this represents the approximate median (rounded to the nearest £1,000) pensionable salary of active Options Section members. Pensionable salary is assumed to grow at 2.5% per year.

A1.6. Timeframe: the majority of illustrations are shown over a 45 year time frame for the Options Section and a period of 20 years for the Focus Section as these are the approximate durations for the youngest member in each section to reach retirement age. The exceptions to this are the illustrations for LifePath vintages, which are run over the period an investor in each fund is expected to reach retirement age.

A1.7. Investment options: the investment options selected for the illustrations include the most popular by number of members (the Default), the highest charged fund, the lowest charge fund, the fund with the highest assumed investment return and the fund with the lowest assumed investment return.

Fund Name	Rationale	Total Cost (p.a.) *	Assumed return **
Aegon BlackRock UK Equity Optimum	Most Popular (by number of members) Highest assumed investment return	0.635%	1.95% above inflation
Aegon BlackRock Cash	Lowest assumed investment return Lowest costs and charges	0.295%	2.40% below inflation
Aegon BlackRock Diversified Growth	Highest costs and charges	0.996%	1.45% above inflation
Aegon BlackRock LifePath Flexi 2043-2045	Most popular LifePath vintage (Options Section)	0.388%	1.02% above inflation
Aegon BlackRock LifePath Capital 2028-2030	Most popular LifePath vintage (Focus Section)	0.378%	0.73% below inflation

* The statutory guidance requires trustees to use an average of the last five years' transaction costs (insofar as they are able) when producing the illustrations. As we have data for the last three years only, the transaction costs used within these figures are three year averages.

** Projected growth rates, gross of costs and charges, for each investment option are in line with the 2021 Statutory Money Purchase Illustrations (SMPIs). The SMPI returns for the LifePath fund vintages are averages that reflect that the return of the fund will change over time as the underlying asset allocation changes.

Guidance to the illustrations

A1.8. For each illustration, the savings pot has been projected twice: firstly for the assumed investment return gross of costs and charges; and secondly for the assumed investment return net of costs and charges.

A1.9. Projected pot sizes are shown in today's terms, so do not need to be reduced further for the effects of future inflation. Inflation is assumed to remain constant throughout the term of the illustrations, at 2.5% per year.

A1.10. Values shown are estimates and not guaranteed.

A1.11. The starting date for the illustrations is 31 March 2021.

A1.12. The illustrations should be read based on the number of future years that a member expects to be invested in those funds.

Illustration 1 – Options Section

This set of illustrations has been prepared to represent the typical member in the Options Section.

Assumed Starting Pot Size: £35,000; Assumed Contributions: £640 per month

Projected Pension Pot in Today's Money

Years of future membership	Aegon BlackRock UK Equity Optimum Fund		Aegon BlackRock Cash Fund		Aegon BlackRock Diversified Growth Fund	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£35,000	£35,000	£35,000	£35,000	£35,000	£35,000
5	£78,231	£76,468	£66,857	£66,145	£76,839	£75,674
10	£125,734	£120,667	£95,156	£93,407	£121,722	£118,424
15	£177,930	£167,775	£120,293	£117,269	£169,871	£163,356
20	£235,284	£217,985	£142,621	£138,154	£221,523	£210,580
25	£298,306	£271,501	£162,456	£156,436	£276,934	£260,214
30	£367,554	£328,540	£180,074	£172,437	£336,376	£312,380
35	£443,645	£389,334	£195,724	£186,443	£400,143	£367,209
40	£527,255	£454,132	£209,626	£198,702	£468,551	£424,835
45	£619,126	£523,195	£221,974	£209,433	£541,935	£485,402

Note on how to read this table: If a member has invested £35,000 in the Aegon BlackRock UK Equity Optimum Fund on 31 March 2021, and £640 in contributions were paid each month, when they came to retire in 20 years, the fund could be worth £235,284 if no charges are applied but £217,985 with charges applied.

Years of future membership	Aegon BlackRock LifePath Flexi 2043-2045	
	Before charges	After charges
0	£35,000	£35,000
5	£75,660	£74,611
10	£118,383	£115,458
15	£163,275	£157,581
20	£210,446	£201,018
25	£260,010	£245,812

Note on how to read this table: If a member has invested £35,000 in the Aegon BlackRock LifePath Flexi 2043-2045 Fund on 31 March 2021, and £640 in contributions were paid each month, when they came to retire in 15 years, the fund could be worth £163,275 if no charges are applied but £157,581 with charges applied.

Illustration 2 – Focus Section

This set of illustrations has been prepared to represent the typical member with a bonus account in the Focus Section.

Assumed Starting Pot Size: £18,000; Assumed Contributions: Nil

Projected Pension Pot in Today's Money

Years of future membership	Aegon BlackRock UK Equity Optimum Fund		Aegon BlackRock Cash Fund		Aegon BlackRock Diversified Growth Fund	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£18,000	£18,000	£18,000	£18,000	£18,000	£18,000
5	£19,779	£19,185	£15,989	£15,755	£19,310	£18,919
10	£21,733	£20,448	£14,203	£13,790	£20,715	£19,884
15	£23,880	£21,795	£12,616	£12,071	£22,222	£20,899
20	£26,240	£23,229	£11,207	£10,565	£23,839	£21,965

Note on how to read this table: If a member has invested £18,000 in the Aegon BlackRock UK Equity Optimum Fund on 31 March 2021, when they came to retire in 15 years, the fund could be worth £23,880 if no charges are applied but £21,795 with charges applied.

Projected Pension Pot in Today's Money		
Years of future membership	Aegon BlackRock LifePath Capital 2028-2030	
	Before charges	After charges
0	£18,000	£18,000
5	£17,368	£17,048
10	£16,758	£16,147

Note on how to read this table: If a member has invested £18,000 in the Aegon BlackRock LifePath Capital 2028-2030 Fund on 31 March 2021, when they came to retire in 10 years, the fund could be worth £16,758 if no charges are applied but £16,147 with charges applied.

Appendix 2 – Statement of Investment Principles

SONI Limited Pension Scheme

Statement of Investment Principles

September 2020

Contents

1. Introduction

1.1. This is the Statement of Investment Principles prepared by the Trustees of the SONI Limited Pension Scheme (the Scheme). This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004; and
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010.
- the Occupational Pension Schemes (Charges and Governance) Regulations 2015; and,
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2. In preparing this statement the Trustees have consulted SONI Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultant. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.

1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.

1.4. The Trustees will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.

1.5. The investment powers of the Trustees are set out in Clause E of the Definitive Trust Deed & Rules, dated June 2009. This statement is consistent with those powers.

1.6. The Scheme consists of the Focus Defined Benefit (DB) Section, the Focus Defined Contribution (DC) Section and the Options DC Section.

2. Choosing investments

2.1. The Trustees' policy for the DB Section is to set the overall investment target and then monitor the performance of their managers against that target. For the DC Sections, the Trustees' policy is to offer a default investment arrangement suitable for the Scheme's membership profile plus a core range of investment funds into which members can choose to invest. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.

2.2. The day-to-day management of the Scheme's assets is delegated to one or more investment managers. The Scheme's investment managers are detailed in the Appendices to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.

2.3. The Trustees review the appropriateness of the Scheme's DB and DC investment strategies on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustees will also consult the employer before amending either the DB or DC investment strategy.

3. Investment objectives

3.1. The Trustees have discussed key investment objectives in light of an analysis of the Scheme's liability profile (for the DB Section) and the Scheme's membership profile (for the DC Section) as well as the constraints the Trustees face in achieving these objectives.

3.2. The Trustees' main investment objectives in respect of the Focus DB Section are:

- to ensure that they can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to achieve a long-term positive real return;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's required contribution levels;
- to invest in assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from members and the participating employer, the cost of current and future benefits which the Scheme provides;
- to reduce the risk of the assets failing to meet the liabilities over the long term;
- to minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the above objectives;
- to take account of the long-term risks, including those relating to non-financial factors, when making investment decisions.

3.3. The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Focus DB Section's liabilities. The Trustees have obtained exposure to investments that they expect will meet the Focus Section's objectives as best as possible.

3.4. The Trustees' main investment objectives for the DC Sections are:

- to provide suitable default investment option(s) that are likely to be suitable for a typical member of the DC Sections;
- to offer an appropriate range of alternative investment options so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different needs and objectives;
- to maximise member outcomes;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the value of members' pension pots;
- to reduce the risk of the assets failing to meet projected retirement income levels.

3.5. Within the DC Sections, the Trustees are responsible for the design of the default investment option and for choosing which funds to make available to members. Members are responsible for their own choice of investment options.

4. Kinds of investments to be held

4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property, annuity policies and other alternatives.

4.2. Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risks in the portfolio or for the purposes of efficient portfolio management.

4.3. The Trustees monitor from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically this check is carried out annually by the Scheme's auditors.

5. The balance between different kinds of investments

5.1. The Focus DB Section invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within Appendix 1 to this Statement.

5.2. DC Section members can choose to invest in the funds detailed in Appendix 2. Where members do not choose where their contributions, and those made on their behalf by the employer, are invested, the Trustees will invest these contributions according to the default investment strategy set out in Appendix 2.

5.3. The Trustees consider the merits of both active and passive management for the various elements of each Section's portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendices to this Statement.

5.4. From time to time the DB Section may deviate from its strategic or tactical asset allocation in order to accommodate for any short-term cashflow requirements or any other unexpected items.

5.5. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the asset allocation of the Focus DB Section will be expected to change as the Scheme's liability profile matures. The asset allocation of the DC Sections may change as the membership profile evolves.

6. Risks

6.1. The Trustees have considered the following risks for the Focus DB Section with regard to its investment policy and the Scheme's liabilities, and considered ways of managing/monitoring these risks:

Risk versus the liabilities	The Trustees will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.
Covenant risk	The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
Solvency and mismatching	The risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.
Asset allocation risk	The asset allocation is detailed in Appendix 1 to this Statement and is monitored on a regular basis by the Trustees.
Liquidity risk	The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cashflow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.

6.2. For the DC Sections, investment risk lies with the members themselves. However, the Trustees have considered the following risks when making available suitable investment choices:

Inflation risk	The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the retirement savings. The Trustees make available investment options that are expected to provide a long-term real rate of return.
Conversion risk	The risk that fluctuations in the assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the benefit amount likely to be received. In the default arrangements made available to members (see Appendix 2), the Trustees increase the proportion of assets that are expected to more closely match how they expect members to access their retirement savings as members move towards retirement.
Retirement income risk	The risk that a member's retirement income falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid. The Trustees periodically review the appropriateness of the fund range offered to members to support appropriate member outcomes, whilst providing communication to members from time to time explaining the importance of the level of contributions.

6.3. The following risks have been considered in the context of both the Focus and Options Sections:

Investment manager risk	The Trustees monitor the performance of each of the Scheme's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustees have a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
Governance risk	Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the managers' practices in their annual Implementation Statement.
ESG/Climate risk	The Trustees have considered long-term financial risks to the Scheme and ESG factors as well as climate risk are potentially financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Currency risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging is employed in some cases to manage the impact of exchange rate fluctuations.
Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

7. Expected return on investments

7.1. The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.

7.2. The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

7.3. In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities of the Focus DB Section.

7.4. Having established the investment strategy, the Trustees monitor the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions (and the Focus DB Section's funding position). The Trustees meet the Scheme's investment managers as frequently as is appropriate, in order to review performance.

8. Realisation of investments

8.1. The Trustees have delegated the responsibility for buying and selling investments to the investment managers. The Trustees have considered the risk of liquidity as referred to above.

8.2. Ultimately, the Focus DB Section investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustees are aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

9. Environmental, Social and Governance considerations and investment stewardship

Policy on financially material considerations

9.1. The Trustees invest in pooled investment vehicles. The Trustees are comfortable that the funds currently invested in by the Scheme (for the DB Section and the default strategy in the DC Section) are managed in accordance with their views on financially material factors, as set out below. This position is monitored periodically.

9.2. The Trustees believe that Environmental, Social and Governance factors, including but not limited to climate change, (referred to together as "ESG issues"), are potentially financially material for the Scheme over the length of time until the Scheme's life comes to an end. This was agreed subsequent to a training session by their investment advisor. The Trustees appreciate that the method of incorporating ESG in the investment strategy and process will differ between asset classes and needs to be considered alongside other implementation factors. The process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

9.3. The Trustees are also cognisant of the different investment timeframes that members/investments will have. Further to this, the Trustees believe that ESG issues will be more important for members who are further from retirement (or more generally longer-term holdings), as the financial materiality of such issues will have a greater impact over a longer timeframe.

9.4. All managers are signatories to the UN Principles of Responsible Investment and the Financial Reporting Council's UK Stewardship Code (which aims to enhance the quality of engagement between investors and companies). The Trustees will consider ESG, voting and engagement issues when appointing and reviewing managers (and reviewing the investment strategy of either the DB or DC Section) to ensure that they are appropriately taken into account given the asset class involved.

9.5. A summary of the Trustees' views for each asset class in which the Scheme invests is outlined below.

Equities The Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme's equities.

- Passive equities – The Trustees accept that the fund manager must invest in line with the specified index and, therefore, may not be able to select, retain or realise investments based on ESG related risks and opportunities. However, the Trustees believe that positive engagement on ESG factors can lead to improved risk-adjusted returns alongside better environmental, social or governance outcomes more generally. The Trustees therefore require that the fund manager takes into account ESG considerations when engaging with companies and by exercising voting rights.

- Active Equities – Where equities are actively managed, the Trustees expect the fund manager to integrate ESG factors into the selection, retention, monitoring, and realisation of the stocks they hold where this is expected to have a material impact on returns.. The Trustees also expects their fund manager to take into account ESG considerations when engaging with companies and by exercising voting rights.

Multi-asset funds The Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme's multi-asset fund managers. The Trustees are therefore supportive of the multi-asset fund managers used by the Scheme taking ESG issues into account in the investment process, where relevant. The Trustees are satisfied that the managers have suitable processes to consider ESG factors and take them into account (where relevant) in the selection, retention and realisation of the underlying investments within the funds. The Trustees also support engagement activities and (where relevant) the exercise of rights attaching the investments by the Scheme's multi-asset fund managers. However, the incorporation of ESG issues, the exercise of rights and engagement activities should be consistent with, and proportionate to, the rest of the investment process.

Credit The Trustees believe that ESG issues are financially material to the risk-adjusted returns achieved by the Scheme's credit holdings. For active mandates, the manager is expected to consider all financially material considerations, including but not limited to ESG factors, when managing the fund. The Trustees recognise that for passive mandates, the fund's holdings are largely dictated by the index being tracked. The Trustees recognise that fixed income assets do not include voting rights, however, they support engagement with companies by their managers, particularly in markets where the manager may be responsible for a larger share of any investment. However, the incorporation of ESG issues and engagement activities should be consistent with, and proportionate to, the rest of the investment process.

LDI, government bonds and money markets The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in these asset classes because of the nature of the instruments used and the fact that money market investments are short-term. Gilts and swaps do not have voting rights attached, and the UK Government does not currently engage with gilt holders in this way. Government bonds of developed market countries, and money market investments, typically have very low levels of ESG risk and therefore ESG analysis is less relevant to these investments. It is worth noting that when transacting in LDI and money market funds, the Trustees require due diligence is undertaken to assess the credit worthiness of the counterparty both at the start of and throughout any investment, whilst at the same time looking to achieve best execution. The Trustees believe this is more relevant for longer term trades compared to shorter term trades and should incorporate ESG factors where these assist with the credit worthiness assessment.

9.6. In relation to the DC Section's default strategy, the Trustees remain comfortable that, at the present time, it is aligned with their view on ESG issues. This recognises that ESG issues are not the only financially material consideration and need to be considered alongside factors such as active manager risk and cost.,

9.7. In relation to the DC section, The Scheme's investment advisor will review how ESG issues are taken into account for each of the Scheme's mandates and report back their beliefs so that this can from part of the Trustees' implementation report that will be produced annually.

Policy on assessment and monitoring

9.8. The Trustees delegate the consideration of all financially material factors in relation to determining the underlying holdings within the pooled funds, including ESG factors, to the Scheme's investment managers as part of their day-to-day management.

9.9. For all pooled funds, the Trustees take into account how ESG factors are integrated into the Scheme's managers' fund management processes when appointing, monitoring, engaging with and replacing funds and managers as follows.

Appointing funds and managers When selecting new investments, the Trustees will consider requesting information on ESG integration credentials as part of the proposals. However, an investment manager's excellence in this area will not necessarily take precedence over other factors.

Monitoring and engagement with managers Each of the Scheme's investment managers has its own ESG policy, ESG integration process and ESG resources as part of its wider management process and capability. The Trustees will continue to monitor and assess these on an ongoing basis. From time to time, the Trustees may ask the Scheme's investment managers to attend meetings and provide updates on the funds, which the Trustees may request to include an update on ESG considerations.

If, as part of this monitoring process or based on any ad-hoc updates provided by the investment consultant, any issues specifically related to the ESG factors are identified, the Trustees may request further information from the Scheme's managers and engage with them in relation to these matters either directly or through their investment consultant.

Replacing funds and managers If any significant ESG integration related issues are identified for a fund or a manager, the Trustees may choose to replace them. However, as per the appointment of funds and managers, the investment manager's shortcomings in this area will not necessarily be seen as sufficient reason for replacement and will not necessarily take precedence over consideration of other factors.

9.10. The Trustees will also take ESG factors into account as part of determining the strategic asset allocation, and consider these factors as part of their ongoing review of the Scheme's investments.

Policy on the exercise of voting rights and engagement activities

9.11. The Trustees believe that good stewardship and positive engagement can lead to improved governance and better risk-adjusted investor returns.

9.12. As an investor in pooled funds, the Trustees currently adopt a policy of delegating the exercising of the rights (including voting rights) attached to the Scheme's investments to the investment managers.

9.13. The Trustees also delegate undertaking engagement activities, which include entering into discussions with the company management in an attempt to influence behaviour, to the investment managers.

9.14. The Trustees assessed the current stewardship approach of its investment managers based on information collated by the investment consultant and provided by the respective managers.

9.15. The Trustees will monitor and engage with the investment managers in relation to stewardship activities as follows.

9.16. The Trustees will, with support from the investment consultant, periodically request and review the stewardship policies, voting and engagement activities of the Scheme's investment managers. In case of any specific issues or questions being identified through this monitoring process, the Trustees will engage with the Scheme's investment managers for more information and discuss any remedial action taken.

9.17. The Trustees will also ask managers to attend meetings from time to time to present and discuss their stewardship activities, including details of any voting rights exercised.

9.18. When selecting investment managers, where appropriate and applicable, the Trustees will consider the investment managers' polices on stewardship and engagement, and how those policies have been implemented.

Engagement activities

9.19. The Trustees acknowledge the importance of ESG and climate risk within their investment decision-making framework. When delegating investment decision making to their investment managers, they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

9.20. The Trustees are firmly of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

9.21. The Trustees consider it to be a part of their investments managers' roles to assess and monitor developments in the capital structure for each of the companies in which the manager invests on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.

9.22. The Trustees also consider it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme. Where the Trustees use pooled funds, the Trustees expect the investment manager to employ the same degree of scrutiny.

9.23. Should an investment manager be failing in these respects, this should be captured in the Scheme's regular performance monitoring.

9.24. The Scheme's investment managers are granted full discretion over whether or not to hold the equity, debt or other investment in the Sponsoring employer's business. Through their consultation with the Sponsoring Employer when setting this Statement of Investment Principles, the Trustees have made the Sponsoring Employer aware of their attitude to ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

9.25. The Scheme's investment consultants, Barnett Waddingham, are independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflict of interest.

9.26. The Trustees expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees/investment manager and the investee companies.

Policy on non-financial matters

9.27. The Trustees do not take account of non-financial matters (such as member ethical views) within the default investment strategies of the DC Section or within the DB Section investment strategy and in terms of the selection, retention and realisation of investments. However, the Trustees will consider the viability and attractiveness of offering DC Section members a self-select option should they wish to express an ethical preference in their pension saving.

9.28. The Trustees will review the policy on whether to take account of non-financial matters periodically.

10. Policy on arrangements with asset managers

Incentivising alignment with the Trustees' investment policies

10.1. Prior to appointing an investment manager, the Trustees discuss the investment manager's benchmark and approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how they are aligned with the Trustees' own investment aims, beliefs and constraints.

10.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees also consider how ESG and climate risk are integrated into these. If the Trustees deem any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will use another manager for the mandate.

10.3. The Trustees carry out a strategy review at least every 3 years where they assess the continuing relevance of the strategy in the context of the Scheme and their aims, beliefs and constraints. The Trustees monitor the investment managers' approach to ESG and climate related risks on an annual basis.

10.4. In the event that the investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated. The investment managers have been informed of this by the Trustees.

10.5. Investment manager ESG policies are reviewed in the context of best industry practice and feedback is/will be provided to the investment manager.

Incentivising assessments based on medium to long term, financial and non-financial considerations

10.6. The Trustees are mindful that the impact of ESG and climate change may have a long-term nature. However, they are aware that the need to change their current pathway is great. The Trustees recognise that the potential for change in value as a result of ESG and climate risk, may occur over a much shorter term than climate change itself. The Trustees have acknowledged this in their investment management arrangements.

10.7. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over an agreed predetermined rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expect this to be sufficient to ensure an appropriate alignment of interests.

10.8. The Trustees expect investment managers to be voting and engaging on behalf of the fund's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short term targets.

Method and time horizon for assessing performance

10.9. The Trustees monitor the performance of its investment managers over the medium to long time periods that are predetermined and consistent with the Trustees' investment aims, beliefs and constraints.

10.10. The Scheme invests mainly in pooled funds. The investment managers are remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less. In some instances, a performance fee may also be applied. Details of the fee structures for the Scheme's investment managers are contained in the appendices.

10.11. The Trustees believe that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

10.12. The Trustees ask the Scheme's Investment Consultant to assess whether the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered every three years as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

10.13. The Trustees acknowledge that portfolio turnover costs can impact on the performance their investments. Overall performance is assessed as part of the regular investment monitoring process.

10.14. During the investment manager appointment process, the Trustees consider both past and anticipated portfolio turnover levels. When underperformance is identified deviations from the expected level of turnover may be investigated with investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices.

10.15. The Trustees acknowledge that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

Duration of arrangement with asset manager

10.16. For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers.

10.17. The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment aims, beliefs and constraints is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

11. Agreement

11.1. This statement was agreed by the Trustees, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the investment managers, the actuary and the Scheme auditor upon request.

Appendix 1 Investment policy of the Scheme's DB section in relation to the current Statement of Investment Principles dated September 2020

1 Focus DB Section

The Trustees have appointed Legal & General Investment Management to carry out the day-to-day investment of the funds.

The fund managers are authorised and regulated by the Financial Conduct Authority.

The Trustees have appointed Barnett Waddingham LLP to advise on investment matters..

The fee arrangements with the fund managers are recorded separately by the Trustees:

Barnett Waddingham LLP is remunerated on a time-cost basis, or through fixed fees as agreed by the Trustees from time to time.

The Trustees have an AVC contract with Aegon for the receipt of members' Additional Voluntary Contributions and pensionable bonus payments. The arrangement is reviewed from time to time.

Kinds of investments to be held

The Trustees have considered all asset classes and have gained exposure to the following asset classes in respect of the defined benefit assets:

- UK equities;
- Overseas equities;
- Long-dated index-linked gilts;
- Corporate bonds;
- Liability Driven Investment instruments
- Cash

The balance between different kinds of investment and rebalancing

The asset allocation has been agreed following a formal investment review and the results of the Scheme's first actuarial valuation. The asset allocation has also been chosen with reference to the liability profile, expected return of the various asset classes and the need for diversification.

The investment benchmarks and objectives for each fund manager are given in the following table:

Fund	Target performance
Legal & General	
UK Equity Index	FTSE All-Share Index
North America Equity Index	FTSE World North America Index
North America Equity Index – GBP Hedged	FTSE World North America Index on a currency hedged basis
Europe (ex UK) Equity Index	FTSE World Europe (ex UK) Index
Europe (ex UK) Equity Index – GBP Hedged	FTSE World Europe (ex UK) Index on a currency hedged basis
Japan Equity Index	FTSE World Japan Index
Japan Equity Index – GBP Hedged	FTSE World Japan Index on a currency hedged basis
Asia Pacific (ex Japan) Equity Index	FTSE World Asia Pacific (ex Japan) Developed Index
Asia Pacific (ex Japan) Equity Index – GBP Hedged	FTSE World Asia Pacific (ex Japan) Developed Index on a currency hedged basis
Active Corporate Bond – All Stocks	Exceed the iBoxx £ Non-Gilt Index by 0.75% p.a. (before fees) over a three year rolling period
Matching Core Real Short Fund	To hedge a subset of the liabilities of a typical UK pension scheme with respect to changes in interest rates and inflation
Matching Core Real Long Fund	To hedge a subset of the liabilities of a typical UK pension scheme with respect to changes in interest rates and inflation
Sterling Liquidity Fund	To provide diversified exposure and a competitive return in relation to 7 Day LIBID.

All funds except the Active Corporate Bond – All Stocks Fund and the Matching Core Funds are passively managed and their target is therefore to track the performance of the respective index within a specified margin.

The performance of fund managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short term and long term performance.

The Trustees have set the strategic asset allocation as set out in the following table. The Trustees recognise that the allocation to different asset classes will vary over time as a result of market movements. The Trustees may choose to rebalance on an ad hoc basis as they see fit.

Legal & General		Allocation
Equities		**45%**
UK equities	11.3%	
North American equities	5.6%	
North American equities (currency hedged)	5.6%	
European (ex. UK) equities	5.6%	
European (ex. UK) equities (currency hedged)	5.6%	
Japanese equities	2.9%	
Japanese equities (currency hedged)	2.9%	
Asia-Pacific (ex. Japan) equities	2.9%	
Asia-Pacific (ex. Japan) equities (currency hedged)	2.9%	
LDI portfolio*		**25%**
Corporate bonds		**20%**
Sterling Liquidity Fund		**10%**
Total		**100%**

*LDI portfolio currently includes the Matching Core Real Short Fund and the Matching Core Real Long Fund.

Investment of new money and realisation of investments

New money is generally invested in proportion to the assets already held but the Trustees keep this policy under review to assess its continued appropriateness. They may therefore decide to invest new money in a different manner in order to effect a change to the asset allocation. Similarly any investments realised to pay benefits will usually be in proportion to the investments held but this may be altered in order to effect a change in allocation or strategy.

Monitoring

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

The AVC arrangement is reviewed from time to time.

Appendix 2 Note on investment policy of the Scheme's DC Sections in relation to the current Statement of Investment Principles dated September 2020

2 Focus DC and Options DC Sections

The Trustees have made available a range of funds to suit the individual needs of the Scheme's members.

These include lifestyle arrangements, whereby a member's assets are automatically invested in line with a pre-determined strategy that changes as the member gets closer to accessing their retirement savings. Emphasis is placed on medium to higher risk funds (i.e. investment largely in growth assets) in search of long-term inflation-protected growth whilst the member is a long way off accessing their retirement savings, switching progressively to protection assets over the years preceding the member's target retirement date so as to protect the purchasing power of the retirement savings. The Trustees have appointed AEGON/Scottish Equitable plc to carry out the day-to-day investment of the funds.

The fund managers are authorised and regulated by the Financial Conduct Authority.

The Trustees have appointed Barnett Waddingham LLP to advise on investment matters in addition to advice received from the fund managers on suitability of investments.

The fee arrangements with the fund managers are summarised in the table below:

Barnett Waddingham LLP is remunerated on a time-cost basis, or through fixed fees as agreed by the Trustees from time to time.

AVC investments in the Options Section are invested in the same way as ordinary contributions.

Default Option

The Trustees acknowledge that members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible to offer a default investment option that will be suitable for all. However, having analysed the Scheme's membership profile, the Trustees decided that the lifestyle arrangements set out below represent suitable default investment options for the majority of members who do not make a choice about how their contributions (and those made on their behalf by the employer) are invested.

The default strategy for most Options Section members (unless otherwise notified) is BlackRock LifePath Flexi.

From June 2018, Options Section members more than five years from retirement were switched to the default option of BlackRock LifePath Flexi unless they requested an alternative. Options Section members less than five years from retirement were switched to the default option of BlackRock LifePath Retirement unless they requested an alternative.

Kinds of investments to be held

The Trustees have considered all asset classes and have gained exposure to the following asset classes in respect of the defined contribution assets:

- UK equities;
- Overseas equities;
- Fixed Interest Gilts;
- Index-Linked Gilts;
- Multi-Asset Pooled Investment Vehicles;
- Cash

LifePath strategies

The Trustees have decided to introduce the LifePath Strategy which is made up of a series of target date funds with varying allocations of the above assets dependant on the member's target retirement date.

A summary of the target of each strategy is summarised in the able below:

Strategy	Target at retirement
BlackRock LifePath Capital range	For members who wish to take their DC pot as cash at retirement
BlackRock LifePath Flexi range	For members who wish to stay invested post-retirement and potentially draw down an income from their DC pot
BlackRock LifePath Retirement range	For members who wish to use all or the majority of their DC pot to purchase an annuity at retirement

The investment benchmarks and objectives for each fund manager are given in the following table:

Fund	Benchmark	Objective
BlackRock		
BlackRock Cash Fund	7 Day LIBID Rate	Aims to produce a return in excess of its benchmark principally from a portfolio of Sterling denominated cash, deposits and money market instruments
BlackRock Diversified Growth Fund	N/A	This Fund targets an investment return of 3.5% above the Bank of England base rate measured over rolling 3 year periods by utilising a multi-asset flexible investment approach. In aiming to achieve the target, this Fund will generally hold a variety of different types of assets at any one time.
BlackRock Index-Linked Gilt Fund	FTA Over 5 Year Index Linked Index	Invests mainly in index-linked UK government bonds and aims to produce a return in line with its benchmark
BlackRock LGIM Global Equity 50:50 Fund	Composite-using FTSE All-World sub-divisions	Invests mainly in UK equities (around 50%) and overseas equities (around 50%). The overseas equities are split between geographical regions in fixed percentages. The fund aims to track the return of its benchmark.
BlackRock LifePath Capital	Composite benchmark	The Fund will gain exposure to global equities, fixed income instruments, property and commodities and may invest in other permitted assets. The allocation will adjust over time nearer the maturity date towards a portfolio of mainly Sterling-denominated short-duration fixed income and cash-like assets.
BlackRock LifePath Flexi	Composite benchmark	The Fund will gain exposure to global equities, fixed income instruments, property and commodities and may invest in other permitted assets. The allocation will adjust over time nearer the maturity date towards a portfolio of approximately 40% equities and 60% fixed income.
BlackRock LifePath Retirement	Composite benchmark	The Fund will gain exposure to global equities, fixed income instruments, property and commodities and may invest in other permitted assets. The allocation will adjust over time nearer the maturity date towards a portfolio of approximately 25% cash and 75% fixed income.
BlackRock Pre-Retirement Fund	50% FTA Over 15 Year Gilt Index and 50% ML £ Non-Gilt AA/AAA Over 15 Year Index	Invests mainly in long-dated UK government bonds (around 50%) and long-dated UK corporate bonds (around 50%) and aims to produce a return in excess of its benchmark
BlackRock UK Equity Optimum Fund	FTSE All Share Index	A more concentrated portfolio of UK stocks than BlackRock's core UK equity funds, this Fund aims to invest in those shares where they have most investment conviction.

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

The Trustees review the suitability of the default strategies and fund range from time to time, taking into account the membership profile and advice from their advisors, and will make changes where they deem appropriate.