SONI Limited Pension Scheme

Statement of Investment Principles

September 2019

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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 Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.

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 consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries for a range of investment business activities.

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.

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.
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.

Policy on non-financial matters

9.19. 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.

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

10. Agreement

10.1. 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 2019

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 summarised below:

Fund manager	Fees
Legal & General	
All funds	An amount based on the average offer value of the holdings in each fund during the quarter (ranging from 0.10% p.a. to 0.30% p.a.) plus a management fee of £1,000 p.a., payable quarterly in arrears, as long as the total offer value of credited units exceeds £10 million at the start of the calendar year.

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 2019

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:

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beyond the expected

Fund manager	Total Expense Ratio (% p.a.)
AEGON/ Scottish Equitable plc	
BlackRock Cash Fund	0.28
BlackRock Diversified Growth Fund	0.61
BlackRock Index-Linked Gilt Fund	0.31
BlackRock LGIM Global Equity 50:50 Fund	0.40
BlackRock LifePath Capital range	0.36
BlackRock LifePath Flexi range	0.36
BlackRock LifePath Retirement range	0.36
BlackRock Pre-Retirement Fund	0.31
BlackRock UK Equity Optimum Fund	0.61

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.