Volvo Group UK Retirement Plan
Statements of Investment Principles

May 2021

Contents

Introduction

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

This document is a compendium of the Statements of Investment Principles for the Volvo Group UK Retirement Plan (the "Plan"). These Statements must cover a number of technical points to comply with legislation as well as meet the expectations of the Pensions Regulator and needs of the Plan's Auditors which, as far as possible, are shown separately in "for the record" boxes.

The Trustees will publish the Statements of Investment Principles, and a report describing how these Statements have been followed in the last year.

Statements of Investment Principles

The Trustees' Statements of Investment Principles contained in this document include the:

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

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

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

The Statements of Investment Principles for the Plan ** comprises items 1, 2 and 3.

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

Appendices

A. Investment implementation for the default arrangement;

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

C. Summary of the approach to investment governance; and

D. Summary of the Plan's service providers.

For the record

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

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

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

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

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

For and on behalf of the Trustees of the Plan

Name	Signed	Date
NICHOLAS WHEELER	N Wheeler	14th June 2021

1 Statement of the aims and objectives for the default arrangement

1.1 Reasons for the Default Arrangement

The Trustees have decided that the Plan should have a default investment arrangement because:

- It should be easy to become a member of the Plan and start building retirement benefits without the need to make any investment decisions; and
- A majority of the Plan's members are expected to have broadly similar investment needs.

1.2 Choosing the default arrangement

The Trustees believe that understanding the Plan's membership is essential to designing and maintaining a default arrangement which meets the needs of the majority of members.

The Trustees have taken into account a number of aspects of the Plan's membership including:

- The members' age and salary profile;
- The likely sizes of pension pots at retirement;
- The level of income in retirement that members are likely to need; and
- Members' likely benefit choices at and into retirement.

1.3 Objectives for the default arrangement

The main objective of the default arrangement is to provide good member outcomes at retirement.

The Trustees believe that it is in the best interests of the majority of members to offer a default which:

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

1.4 The intended default arrangement

The intended default arrangement is therefore a lifestyle strategy which:

- Gradually moves investments between different funds to manage the levels of investment returns and principal investment risks at each stage of membership of the Plan; and
- Targets members who are expected to use Flexible Access Income Drawdown during their retirement.

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

Full details of the current default arrangement are given in the document "Investment implementation for the default arrangement".

1.5 Inadvertent Default Arrangement

During the investment transition in July 2018, members who had previously been invested in the BlackRock DC Aquila 30:70 Global Equity Fund and the LGIM Pre Retirement Fund were mapped to the VGRP Equity Fund and the BlackRock Corporate Bond All Stocks Index Fund respectively.

In the event that members are unable to invest their contributions in a particular fund, contributions will be directed into an alternative fund agreed by the Trustees (unless the member selects otherwise) and will be redirected into the original fund(s) once restrictions are lifted. For example, this situation could occur in the event of significant economic uncertainty impacting on the ability for fund managers to value the underlying assets. Under current regulations, this creates a temporary default arrangement. The objective of the temporary default arrangement is to provide:

- A very high level of liquidity, such that funds can be diverted back into the original fund once it is allowed.
- Protection on the capital value of contributions and low volatility so that members can divert contributions back into their chosen fund at the value that they would have gone in originally.
- A fee level (total expense ratio) that is lower than the current charge cap.

The Trustee believes that, under these circumstances, contributions should be directed into the BlackRock Cash Fund, as this fund carries the lowest volatility amongst the Plan's self-select funds, has a low likelihood of having trading suspended and is the most liquid (meaning funds can be invested and disinvested promptly).

These are considered default funds for the members who were mapped into these funds and are reported as "inadvertent default funds" for the Statements of Investment Principles.

The Trustees have considered the members investment choices when mapping these members to similar funds and therefore believe that these funds are most suitable this cohort of the membership. The objective of these funds is to provide a risk and return profile in line with the members' original section.

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

2.1 Reasons for the investment options

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

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

2.2 Choosing the investment options

Membership analysis

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

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

Costs of investment options

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

2.3 Objectives for the investment options

The Plan offers members a variety of self-select funds to invest in as an alternative to the default arrangement.

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

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

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

Risk and return

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

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

3 Statement of investment beliefs, risks and policies

3.1 Introduction

This Statement sets out the investment beliefs and policies which guide the Trustees' decision making.

> **For the record**
>
> This Statement of investment beliefs, risks and policies should be read in conjunction with the Statements of the aims and objectives for both the default arrangement and the investment options outside the default arrangement. Collectively, these respectively form the Statements of Investment Principles for the Plan and the default arrangement.
>
> This Statement of investment beliefs has been prepared in accordance with the Occupational Pension Scheme (Investment) Regulations 2005 as amended by the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) Regulations 2019.

3.2 Risks

Principal investment risks

The Trustees believe that the three principal investment risks most members will face are:

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

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

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

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

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

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

Other investment risks

The Trustees believe that other investment risks members may face include:

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

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

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

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

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

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

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

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

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

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

Managing risks

The Trustees have developed and maintain a framework for assessing the impact of all investment risks on long-term investment returns.

Time horizon

The Trustees monitor the age profile of the Plan's membership to arrive at an appropriate investment horizon when considering all investment risks:

- The Plan is open to new entrants from age 18, by invitation of the employer only;
- As a result, investment risks need to be considered over a multi-decade time horizon.

Principal investment risks

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

The Trustees manage the other investment risks as part of the process for selecting and ongoing monitoring of the funds used by the Plan. The funds used give a good spread of investments which will help manage risks associated with market conditions.

Ability to invest/disinvest promptly

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

Other investment risks

The Trustees manage the other investment risks as part of the process for selecting and ongoing monitoring of the funds used by the Plan.

The funds used give a good spread of investments which will help manage risks associated with market conditions, fund manager actions and default. The Trustees believe that the Plan's investment options are appropriate for managing the risks typically faced by members.

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

Financially material considerations

The Trustees recognise that the consideration of financially material considerations, including ESG factors and climate risk, are relevant to the development, selection and monitoring of the Plan's investment options.

Implementation

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

- Choosing fund managers who have clearly articulated policies for managing financially material considerations including climate change;
- For actively managed funds (where the fund manager decides where to invest), expect the fund managers to take financially material considerations into account when selecting which companies and markets to invest in;
- For passively managed funds, the Trustees recognise that the funds' objectives are to deliver returns in line with its benchmark (which may or may not take into account ESG factors), which the Trustees believe will deliver appropriate risk adjusted returns.
- For all funds, expect fund managers to engage with companies in which the fund invests to encourage business strategies which should improve or protect the value of those investments; and
- Prefer fund managers who are signatories to the Financial Reporting Council's Stewardship Code in the UK and the United Nations supported Principles for Responsible Investment.

3.3 Expected returns on investments

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

Asset class	Expected long-term investment returns relative to inflation	Expected shorter- term volatility in fund values
Equities (i.e. company shares)	Strong return relative to inflation	Most volatile in the short-term

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

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

Multi-asset funds (i.e. investing in a varying mix of asset classes) - should deliver positive returns relative to inflation over the longer-term, with lower short-term volatility than equities.

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

3.4 Investment beliefs

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

- The Plan and its liabilities are long-term in nature and the Trustees support long term investing particularly in equities as a means of enhancing returns.
- Diversification between asset classes and regions is expected to provide greater stability to investment returns whilst diversification over many different managers needs to be balanced against the Plan's governance budget.
- Investment costs reduce the value of members' assets but lower cost does not necessarily mean better outcomes will be achieved. Returns net of fees and costs are more important than the absolute level of fees although investment managers' fees should be transparent and reviewed regularly.
- Active management can add value although the performance of active managers should be measured over a sufficiently long investment horizon.
- Fund monitoring should take into account more than just performance and volatility statistics. Performance will be monitored noting that in the context of investment markets that long term means 5 years or more.
- Members will generally be rewarded in the long term by taking investment risk and members should be able to tolerate higher volatility in exchange for higher expected investment returns when they are further from retirement.
- There should be a gradual change in the investment strategy to reduce volatility and preserve capital as a member draws near retirement.

- Most members are expected to want to drawdown their retirement pot over time rather than take it all as cash or buy an annuity. Therefore, a certain, but lower, level of investment return (and hence investment risk) should be maintained in the run up to a member's selected retirement age.
- The Trustees should support members who wish to select their own investments by providing a limited self-select fund range which consider both ethical and religious views.
- Whilst ESG is important, the Trustees will still put more weight on financial considerations than non-financial considerations when determining the strategic and implementation options for DC members.
- The Trustees expect the investment managers to embed non-financial considerations into its investment process on their behalf. Environmental, Social and Governance factors can pose financially material risks and it is incumbent on investment managers, where they have the discretion to do so, to ensure that such risks are reflected in decision making.
- Effective stewardship through informed voting and engagement can positively influence corporate behaviours and success is most likely to be achieved through greater collaboration rather than disinvestment. Disinvestment would be the secondary option, should engagement prove ineffective.
- Decision making can be improved through the greater disclosure of information and the Plan should both support and demonstrate high standards of disclosure.

3.5 Types of funds used

Delegation of investment decisions

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

Manager incentives

The basis of remuneration of the investment managers by the platform provider may be subject to commercial confidentiality, however, the Trustees will seek transparency of all costs and charges borne by members. Nevertheless, the Trustees expect that it will be in the interests of both the platform provider and the investment managers on the provider's platform to produce growth in asset values in line with the funds' investment objectives. For passively managed funds this should be within an acceptable margin of the index the fund tracks. For actively managed funds the investment return should be commensurate with the level of investment risk implied by the fund's objectives.

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

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

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

The Trustees monitor the investment managers against a series of metrics on a quarterly basis over a long-term time horizon of 3 years including:

- Performance of the Plan's underlying funds relative to their respective benchmarks;
- Relative tracking error where appropriate;
- The exercise of stewardship responsibilities (including engagement with issuers and corporates); and
- The management of risks.

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

Portfolio turnover

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

For passively managed funds the turnover of holdings is driven by changes in the index a fund seeks to track and hence is outside the control of the investment manager except where a fund's total assets under management are relatively small where the investment manager does not fully replicate the index or where a fund invests in less liquid stocks.

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

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

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

Portfolio duration

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

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

Security of assets

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

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

Additionally, the Trustees receive a schedule confirming the security of assets for individual funds.

Realisation of investments

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

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

Balance of investments

Overall, the Trustees believe that the Plan's investment options:

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

3.6 Stewardship

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

The Plan offers members the default arrangement and a choice of self-select funds. The Trustees' stewardship activities are to be focused on the default arrangement which is used by the largest number of members and accounts for the majority of the assets.

Members' financial interests

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

Conflicts of interest

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

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

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

The Trustees will consider any conflicts of interest arising in the management of the funds used by the Plan and will ensure that the platform provider and each investment manager has an appropriate conflicts of interest policy in place. Platform providers and investment managers are required to disclose any potential or actual conflict of interest to the Trustees.

Voting and engagement

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

The Plan invests via an investment platform provider, who in turn invest in funds which are pooled with other investors to keep costs down and ensure adequate diversification. As a result, the Trustees have adopted a policy of delegating voting decisions on stocks to the underlying fund managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The fund managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

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

While the Trustees are not in a position to engage directly, the Trustees believe it is sometimes appropriate for the fund managers directly or through the platform provider to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to improve corporate behaviours, improve performance and mitigate financial risks. The Trustees will request, where appropriate and practicable, that the platform provider or investment managers notify the Trustees of any issue on which it may be beneficial for the Trustees to undertake further engagement. The Trustee will seek to review engagement activity undertaken by the fund managers as part of its broader monitoring activity.

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

Monitoring

The Trustees expect the investment platform provider to monitor adherence of their investment managers to stated voting and engagement policies, engage with managers where concerns are identified and to report on these issues. The Trustees request reports from the investment platform provider on the fund managers voting activity on a periodic basis.

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

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

3.7 Non-financial factors

The Trustees recognise that a number of members will have strong personal views or religious convictions that influence where they believe their savings should, or should not, be invested.

The Trustees note that a large majority of members have not made active investment choices and so the Trustees believe that most members are unlikely to have strong views on where their savings are invested. The Trustees have therefore decided that it would not be worthwhile surveying members' views on non-financial factors relating to the Plan's investments. The Trustees will instead take into account what, in their reasonable opinion, members' views of non-financial factors are likely to be.

The Plan offers an ethical fund for members who are likely to hold stronger views in these areas than the majority of members.

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

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

For the record

The Trustees obtain and consider proper advice from suitably experienced and qualified persons when choosing investments and preparing the Statements of Investment Principles.

Funds are chosen by the Trustees to give an expected level of return with an appropriate level of investment risk which meets the objectives of each default arrangement and other investment options.

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

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

- Equities (company shares);
- Fixed interest and index-linked bonds issued by governments and companies;
- Cash and other short-term interest bearing deposits;
- Commercial and residential property;
- Illiquid assets including infrastructure, forestry, private equity and private debt;
- Commodities through collective investment vehicles; and
- Derivatives to facilitate changes in where funds are invested or to help control investment risks.

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

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

The Trustees consider that these types of investments are suitable for the Plan. The Trustees are satisfied that the funds used by the Plan provide adequate diversification both within and across different asset classes.

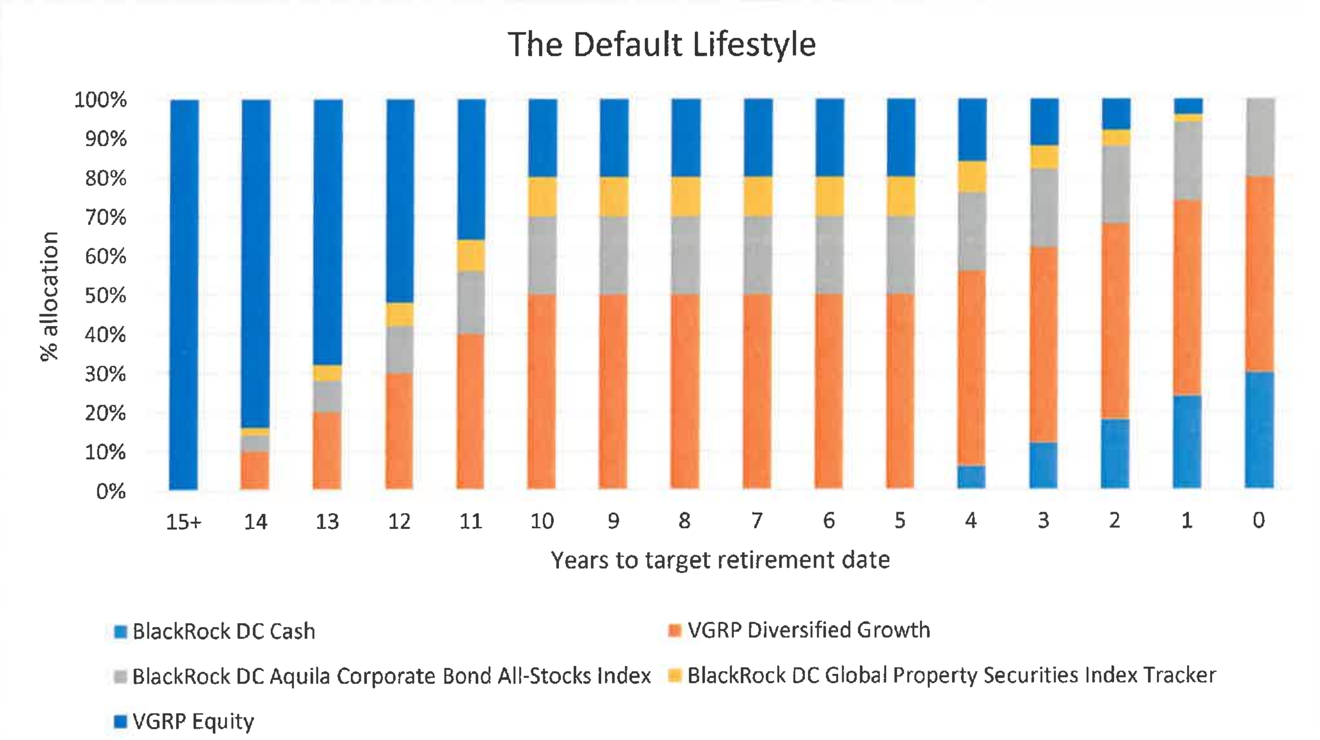
Appendix A
Investment implementation for the default arrangement

Default arrangement
The default arrangement is a lifestyle strategy which targets income drawdown at retirement.

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

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

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



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

Years to retirement	VGRP Equity %	Aegon BlackRock Global Property Securities (BLK) %	Aegon BlackRock Corporate Bond All-Stocks Index (BLK) %	VGRP Diversified Growth %	Aegon BlackRock Cash (BLK) %
15	100	0	0	0	0

14	84	2	4	10	0
13	68	4	8	20	0
12	52	6	12	30	0
11	36	8	16	40	0
10	20	10	20	50	0
9	20	10	20	50	0
8	20	10	20	50	0
7	20	10	20	50	0
6	20	10	20	50	0
5	20	10	20	50	0
4	16	8	20	50	6
3	12	6	20	50	12
2	8	4	20	50	18
1	4	2	20	50	24
0	0	0	20	50	30

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

Funds and charges

The funds used by the default arrangement and their charges (expressed as a percentage annual management charge (“AMC”) and Total Expense Ratio (“TER”) as at 5 April 2021 are:

Platform Fund	Underlying fund	AMC %	TER %
VGRP Equity	50% Aegon BlackRock DC World Multifactor Equity Tracker Fund 50% Schroder Sustainable Multi-Factor Equity Fund	0.41	0.47
BlackRock DC Global Property Securities (BLK)	N/A	0.27	0.28
BlackRock DC Aquila Corporate Bond All-Stocks Index (BLK)	N/A	0.25	0.27
VGRP Diversified Growth	50% - Insights Broad Opportunities Fund 50% - Baillie Gifford Multi Asset Growth Fund	0.72	0.86
BlackRock DC Cash (BLK)	N/A	0.15	0.18

Members in the default option will see TERs range from 0.47% to 0.61%.

Inadvertent Default Funds

Three additional funds are considered to be "default arrangements" for some members.

During the investment transition in July 2018, members who had previously been invested in the BlackRock DC Aquila 30:70 Global Equity Fund and the LGIM Pre Retirement Fund were mapped to the VGRP Equity Fund and the BlackRock Corporate Bond All Stocks Index Fund respectively.

Due to the coronavirus pandemic the BlackRock DC Property fund was temporarily suspended from 18 March 2020. Contributions received from members previously invested in this fund were redirected to the BlackRock DC Cash Fund. This fund is used for self-select purposes only and is not used within the default arrangement.

These are considered defaults for the members who were mapped into these funds and are reported as inadvertent defaults for the Statements of Investment Principles.

The funds are not lifestyle funds and members are fully invested in them until retirement unless they switch their funds elsewhere.

The funds used by the inadvertent default arrangements and their charges (expressed as a percentage annual management charge ("AMC") and Total Expense Ratio ("TER") as at 5 April 2021 are:

Platform Fund	Underlying fund	AMC %	TER %
VGRP Equity	50% Aegon BlackRock DC World Multifactor Equity Tracker Fund 50% Schroder Sustainable Multi-Factor Equity Fund	0.41	0.47
BlackRock DC Aquila Corporate Bond All-Stocks Index (BLK)	N/A	0.25	0.27
BlackRock DC Cash (BLK)	N/A	0.15	0.18

Investment costs

Fund charges

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

The Plan is a "qualifying scheme" for auto-enrolment purposes, which means that the Default Option and inadvertent default funds are subject to the charge cap introduced by the government from April 2015.

Transaction costs

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

Review

The default option was reviewed in late 2020. A high level review will be undertaken each year with a more detailed review every 3 years (next detailed review in 2023).

Appendix B
Investment implementation for investment options outside the default arrangement

Self-select fund range

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

Fund range

The choice of self-select funds and their charges (expressed as a percentage annual management charge ("AMC") and Total Expense Ratio ("TER")) as at 5 April 2021 are:

Platform Fund	Underlying fund	AMC %	TER %
VGRP Equity	50% Aegon BlackRock DC World Multifactor Equity Tracker Fund 50% Schroder Sustainable Multi-Factor Equity Fund	0.41	0.47
BlackRock 50/50 Global Equity Index	N/A	0.25	0.26
VGRP Diversified Growth	50% - Insights Broad Opportunities Fund 50% - Baillie Gifford Multi Asset Growth Fund	0.72	0.86
BlackRock Corporate Bond All Stocks Index	N/A	0.25	0.27
BlackRock Over 15 Years Gilt Index	N/A	0.25	0.26
BlackRock Over 5 Years Index-Linked Gilt Index	N/A	0.25	0.26
BlackRock Cash	N/A	0.15	0.18
BlackRock Emerging Markets	N/A	0.35	0.40
BlackRock LGIM Ethical Global Equity Index	N/A	0.50	0.51
BlackRock Russel World Equity	N/A	0.90	0.96
Aegon Schroder Sustainable Multi-Factor Equity	N/A	0.45	0.48
BlackRock Standard Life Corporate Bond	N/A	0.50	0.52
BlackRock DC Global Property Securities (BLK)	N/A	0.27	0.28
BlackRock Property	N/A	0.88	0.89

Investment costs

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

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

Review

The current self-select fund range was reviewed in late 2020 and the revised options were introduced in early 2021. A high level review will be undertaken each year with a more detailed review every 3 years (next detailed review in 2023).

Additional Voluntary Contributions

For the Additional Voluntary Contribution (AVC) section members may make AVCs to the same fund options as for their DC Plan contributions. The funds are listed above.

Appendix C

Summary of the approach to investment governance

For the record

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

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

Exercising the Trustees' Powers

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

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

Conflicts of interest

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

Monitoring

The Trustees regularly monitor and review:

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

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

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

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

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

Compliance with Statements of Investment Principles

The Trustees will monitor compliance with the Statements of Investment Principles annually and publish a report to members with effect from the Plan year ending after 1 October 2020.

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

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

Voting – The fund managers' records of exercising shareholder voting rights and engaging with equity and bond issuers on matters which may materially affect the value of investments.

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

Reporting

The Trustees arrange for the preparation of:

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

Appendix D

Summary of the Plan's service providers.

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

Service	Provider	Remuneration basis
Investment platform provider	Aegon	Percentage of fund value included within funds' Total Expense Ratios
Fund managers	Blackrock Life Limited Insight Investment Baillie Gifford Investment Management Schroders Asset Management	Percentage of fund value included within funds' Total Expense Ratios
Custodians	Selected by the fund managers.	Percentage of fund value included within funds' Total Expense Ratios
Pension administrator	Aegon	Percentage of fund value included within funds' Total Expense Ratios
Auditor	RSM UK Audit LLP	Fixed fee
Investment Consultant	Hymans Robertson LLP	Fixed fee with additional projects at time cost
Legal advisers	Eversheds Sutherland LLP	Agreed ad hoc based on each project