De La Rue Defined Benefit Pension Scheme ('the Scheme')

Annual statement regarding governance by the Chair of the Trustee for the year to 5 April 2019

Summary

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

The Scheme's investment arrangements remained suitable for most members

The Scheme holds Defined Contribution (DC) assets in the Money Purchase Section and Additional Voluntary Contributions (AVCs) through the Retirement Plan Section. The primary objective of this structure is to provide, on a defined contribution basis, benefits for members on their retirement or benefits for their dependents on death before retirement. The arrangements have been closed to new contributions since 31 March 2013.

We have split some sections of this Statement into two sections – the first covering the DC arrangements and the second examining the AVC arrangements.

As the Scheme is not a qualifying scheme for auto enrolment purposes, there is no requirement for the Scheme to have a default arrangement. Members are asked to make an explicit choice regarding the investment of their funds.

The majority of the Scheme's DC and AVC assets are invested in index tracking funds managed by BlackRock Investment Management through an investment and administration platform provided by AEGON.

In the Money Purchase Section, members have the choice of three funds (or any combination of them) and a lifestyle strategy (that uses the same funds). The Retirement Plan Section has four AVC arrangements.

The Trustee commenced a review of the Scheme's investment arrangement considering the membership's profile and how our members use their pension pot at retirement. This was presented to the Trustee after the end of the Scheme year (in May 2019.) The review concluded that there had not been any significant change in the Scheme's membership or members' benefit choices at retirement since the previous review in 2015 and that the investment options had performed broadly in line with our expectations.

The charges and costs borne by members

The charges for the DC and AVC Scheme's lifestyle strategy offered via AEGON were in a range from 0.115% to 0.160% of the amount invested or, put another way, in a range from £1.15 to £1.60 per £1,000 invested.

The charges for the DC and AVC Scheme's other investment options offered via AEGON were in a range from 0.11% to 0.16% of the amount invested or, put another way, in a range from £1.10 to £1.60 per £1,000 invested.

The charges for the Scheme's AVC investment options with other AVC providers were in a range from 0.75% to 1.31% of the amount invested or, put another way, in a range from £7.50 to £13.10 per £1,000 invested.

The Scheme provided good Value for Members

With the help of its advisers, the Trustee carried out its annual assessment of how the Scheme's costs and the services which members pay for compare to other similar schemes. The Trustee looked at both the quality of these services as well as the costs and charges members pay.

In relation to the funds offered via AEGON, these were rated as offering good Value for Members. The Trustee was unable to obtain full information from the providers on the other AVC funds which limited the assessment of these funds.

The actions being taken by the Trustee to improve value for members

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

- A review of the DC and AVC arrangements for the Scheme was initiated and completed after the end of Scheme year (the results were presented to the Trustee on 14 May 2019);
- Work was commenced to re-assess the guarantees relating to the With Profits funds offered to members; and
- The Trustee communicated with members who have investments with Equitable Life in relation to the possible implications of the transfer of Equitable Life's business.

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

- Complete a detailed review of the investment options, including the lifestyle strategy and self-select funds offered;
- Arrange for the publication of the Chair's Statement and Statement of Investment Principles in a publicly searchable location on the internet. A note of this location will be included in the annual benefit statements;
- Consider the possible transfer of some of the unit-linked and With Profits funds from other providers to AEGON to improve the value for members;
- Review its investment beliefs on Environmental, Social and Governance ("ESG") considerations and update the Statement of Investment Principles to reflect the September 2018 Regulations on Responsible Investment which come into force on 1 October 2019; and
- Monitor progress at Trustee meetings.

Core financial transactions were carried out promptly, accurately and efficiently

The Trustee monitors the performance of the Scheme's administration against the agreed service levels, through quarterly administration reports, and notes the following:

- There was a change of administrator during the year. This was managed well and did not cause disruption to members.
- The service levels (including core financial transactions) cover all aspects of the scheme that is administered by Hymans Robertson, including non-DC benefits.
- Core financial transactions were generally processed promptly, accurately and efficiently for the year to 5 April 2019;
- Over a 12-month period, there was a 90% adherence to service standards, slightly below the target service levels of 95%.

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

The Trustee has a programme of training and an annual assessment to help maintain the Trustee Directors' knowledge of matters relating to the Scheme. In particular, the Trustee received a full day training on 21 November 2018 which will benefit members by ensuring the Trustee Board understands the regulatory requirements and aware of recent developments in the pensions and investment markets. The Trustee is satisfied that the combination of their knowledge and understanding together with access to suitable advice enabled it to properly exercise its duties during period covered by this Statement.

We hope this Statement helps you understand how your pension Scheme is run. If you have any questions on its contents please contact the Scheme Administrator (Hymans Robertson, 20 Waterloo Street, Glasgow, G2 6DB. T: 0141 566 7642, e-mail@: delaruepension@hymans.co.uk).

The rest of this Statement describes in more detail the Trustee's management of the Scheme's DC and AVC contribution sections during the last year.

The Scheme's Statement of Investment Principles is attached as Exhibit 3. Please refer to section 3 for information regarding Defined Contribution Section.

Signed on behalf of the Trustee by:

Mike Robert

Chair of the Trustee of the De La Rue Pension Scheme

Date: 26/09/19

For the record

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

Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715) as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (SI 2015/879); and

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 (SI 2018/233).

(a) Default arrangement and review of investment options

As the Scheme is not a qualifying scheme for auto enrolment purposes, it does not have a default arrangement and members are asked to make an explicit choice regarding the investment of their contributions.

A review of the DC arrangements offered to members was initiated during the year. This considered aspects such as the age and other characteristics of the membership, and evidence of what members are currently doing at the point of retirement (both within the Scheme and within the industry more generally). The broad conclusions of this report were presented to the Trustee after the end of the Scheme year (in May 2019). The funds were found to still be broadly appropriate for the membership while some minor enhancements could be made to the fund range. The Trustee will carry out further work on the funds in the 2019/20 Scheme year.

The Trustee commenced a review of the AVC arrangements during the Scheme year. The results were presented to the Trustee after the end of the Scheme year (May 2019). The report recommended some possible enhancements to the AVC fund range which could benefit members and the Trustee has commissioned further work on this.

(b) Charges and transaction costs

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

Service	Paid by members	Shared cost	Paid by the Employer
Investment management	Yes	-	-
Investment transactions	Yes	-	-
Administration	-	-	Yes
Governance	-	-	Yes
Communications	-	-	Yes

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

Explanation of charges

Charges

The charges quoted in this Statement are the funds' Total Expense Ratios ("TERs"). The TER consists of a fund's Annual Management Charge ("AMC") and Operating Costs and Expenses ("OCE"). OCEs include, for example, the fund's custodian costs. While the AMC is usually fixed, the OCE, and hence the TER, can vary slightly from day to day.

Transaction costs

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

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

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

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

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

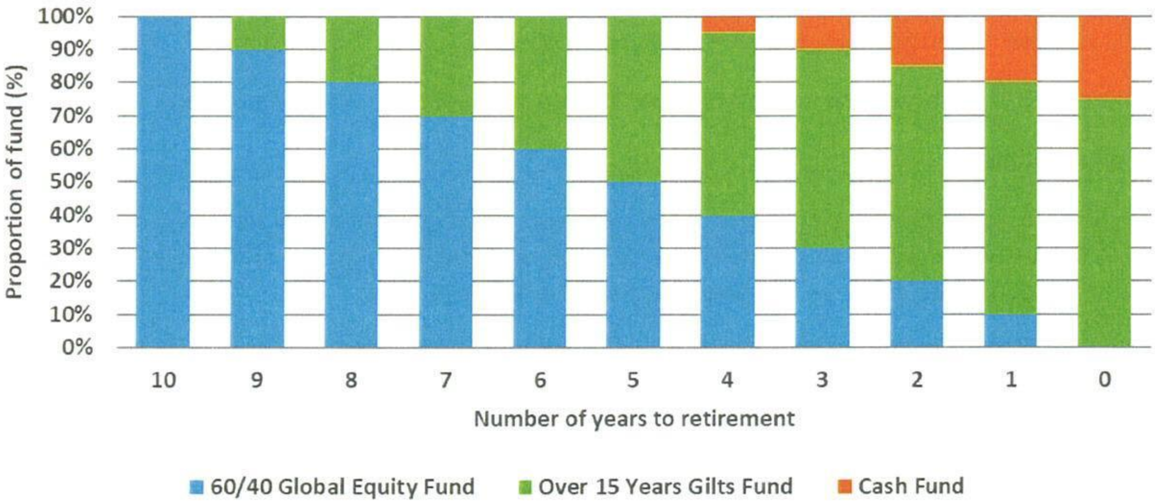
The transaction costs shown in this statement do not include any costs members may incur from buying or selling units in the provider's funds as a result of the fund manager's fund price moving from a "bid" to "offer" basis (or vice versa). This will not be seen by members as the funds are priced on a single swinging price basis (i.e. the fund will be priced on an offer price basis if there are positive cashflows into the fund and on a bid price basis if there is negative cash flow).

DC arrangements in the Money Purchase Section

Charges for the investment options in the Money Purchase Section

Lifestyle strategy

The lifestyle strategy invests contributions in funds according to how far each member is from their selected retirement date and according to the chart below. As a result, charges borne by each member can vary from one year to the next. Members are invested 100% in the 60/40 Global Equity fund until 10 years prior to their selected retirement date.



During the year covered by this Statement, the member-borne charges for the lifestyle strategy were in a range from 0.115% to 0.160% of the amount invested or, put another way, in a range from £1.15 to £1.60 per £1,000 invested:

Number of years to retirement	Charge	
	% p.a.	£ per £1,000
10 years [when charges are at their highest]	0.160	1.60
8 years	0.150	1.50
5 years	0.135	1.35
3 years	0.127	1.27
At retirement [when charges are at their lowest]	0.115	1.15

Source: AEGON.

The table in Exhibit 1a gives the charges for each fund used by the Lifestyle Strategy.

Self-select funds

The Scheme offers members a choice of three self-select funds as well as the lifestyle strategy:

- 60/40 Global Equity Fund;
- Over 15 Years Gilts Fund; and
- Cash Fund.

During the year, the charges for the self-select funds were in a range from 0.11% to 0.16% of the amount invested or, put another way, in a range from £1.10 to £1.60 per £1,000 invested.

The table in Exhibit 1a gives the charges for each of self-select funds.

Transaction costs for the investment options in the Money Purchase Section

Lifestyle strategy

The transaction costs borne by members in the lifestyle strategy during the year were in a range from -0.021% to 0.018% of the amount invested or, put another way, from a gain of £0.21 to a cost of £0.18 per £1,000 invested. These figures are approximate due to rounding.

The table in Exhibit 1a gives the transaction costs for each fund used in the lifestyle strategy.

Self-select funds

The transaction costs borne by members in the self-select funds during the year were in a range from -0.021% to 0.018% of the amount invested or, put another way, in a range from a gain of £0.21 to a cost of £0.18 per £1,000 invested. These figures are approximate due to rounding.

The table in Exhibit 1a gives the transaction costs for each self-select fund.

Additional Voluntary Contributions ("AVCs") in the Retirement Plan section

The Scheme has five AVC arrangements. The AVC arrangements with AEGON offer the same funds with the same charges and costs covered previously for the DC section. This section covers the other four AVC arrangements.

AVCs invested in Unit-Linked Funds

Charges for Unit-Linked AVCs

During the year, the charges for the unit-linked AVC funds were in a range from 0.75% to 1.31% of the amount invested or, put another way, in a range from £7.50 to £13.10 per £1,000 invested.

The tables in Exhibit 1b gives the charges for each individual AVC fund.

The Trustee has analysed the charges on that basis that there are few providers within the AVC marketplace, and few are prepared to take on new business.

Transaction costs for Unit-Linked AVCs

The transaction costs borne by members in the AVC funds open to new contributions during the year were in a range from -0.10% to 0.26% of the amount invested or, put another way, in a range from a gain of £1.00 to a cost of £2.60 per £1,000 invested.

The table in Exhibit 1b gives the transaction costs for each AVC fund where available.

AVCs invested in With Profits

Some members' AVCs are invested in With Profits Funds with Prudential, Equitable Life, Aviva and Phoenix.

The charges and transaction costs for With Profits Funds are deducted from the overall fund before bonus rates are set for all policyholders. As a result, the charges and costs are effectively averaged across all policyholders and it is not possible to determine the exact charges and costs borne by the members of our Scheme.

The Principles and Practices of Financial Management for the Prudential With Profits Fund state that the administration and investment charges should average 1%.

The Principles and Practices of Financial Management for the Equitable Life With Profits Fund state that the administration and investment charges should average 1%. There is an additional charge for guarantees of 0.5% (as at 31 December 2018).

The transaction costs for the Equitable With Profits Fund were 0.24% of the assets under management during the year to 31 December 2018. The Prudential With Profits Fund's average transaction costs are not disclosed.

The charges and transaction costs for the Aviva and Phoenix With Profits Funds are not disclosed.

It should be noted that the implicit costs and charges for the With Profits Funds cover the cost of guarantees and reserving as well as investment management and administration services.

Missing information, regulatory information, reliance and limitations

The Trustee requested full information from the Providers on all areas.

Please note charges and transaction costs were provided for the 12-month period to 31 March rather than the Scheme year to 5 April 2019. This because investment managers customarily only charges, costs and investment performance to quarter-ends in accordance with their funds' mandates. This is not deemed to be material and figures from 1 to 5 April 2019 will be covered in the next report and statement. For the purposes of this statement (including the requirement for the Trustee to assess the extent to which charges and transaction costs represent good value to members), the charges and transaction costs stated are for the 12 months period supplied noting the below exceptions.

The Trustee has been unable to obtain information on the charges and transaction costs to 31 March 2019 for the following AVC providers.

- For Prudential, information from 30 June 2018 is provided; and
- For the Aviva and Phoenix With-Profits Funds, information was not available.

In addition, the Trustee has obtained administration service level information for the 12 months to 31 May 2019. This means that some information is missing (for the period 1 March 2019 to 5 April 2019) and some is outside the period covered by this Statement.

The following steps are being taken to obtain the missing information for the future:

- The Trustee requested the information from the providers and will continue to request information on a regular basis until it is made available;
- The Trustee is monitoring the providers' and fund managers' progress on implementing the FCA rules on transaction cost disclosure which came into force on 3 January 2018; and
- The Trustee continues to press for the up-to-date disclosure of costs and charges from the providers.

The Trustee also notes the following limitations:

- It should be noted that the service levels (including core financial transactions) cover all aspects of the scheme that is administered by Hymans Robertson, including non-DC benefits.
- ISINs are unavailable for certain funds as detailed in exhibit 1;
- The Trustee acknowledges that at this point, limited data is available on industry-wide comparisons and has relied heavily on the market knowledge of its advisers; and
- There is limited transaction costs data available to provide industry-wide comparisons.

The Trustee understands that the last two issues currently affect many pension schemes and pension providers and that, the amount of comparative information available should improve over the next few years.

Impact of costs and charges

The Trustee has asked the Scheme's DC advisor, Hymans Robertson, to illustrate the impact over time of the costs and charges borne by members.

Given that all of the AVC arrangements are closed to future contributions, few members are invested in the AVC funds not provided by AEGON, and limited information is available on the costs and charges of many of these funds, the Trustee has decided, in accordance with the statutory guidance issued by the Department for Work and Pensions to take a proportionate approach and not carry out projections for these funds.

The illustrations show projected fund values in today's money before and after costs and charges for typical members at different ages. The charges and transaction costs provided by AEGON for the illustrations are as of 31 March 2019. For example - a member age 30 who completes their employment within the Scheme up to the retirement age of 65, and is invested in the lifestyle strategy, is forecast to see a reduction in their retirement pot due to the current rates of costs and charges, from a potential £51,010 to £48,460.

The tables in Exhibit 2 to this Statement show these figures for the lifestyle strategy and the self-select funds with AEGON, together with a note of the assumptions used in calculating these illustrations.

Please note that these illustrated values are not guaranteed and may not provide to be a good indication of how your own savings might grow.

(c) Value for Members

Each year the Trustee carries out an assessment of whether the charges and transaction costs for the DC and AVC investment options, which are borne in full or in part by members, represent good value for members. The Trustee's definition of 'Value for Members', in line with the Pensions Regulator ('TPR')'s guidance, is one in which the cost of membership provides good value in relation to the services it provides to members, when compared with other options available in the market. Value is not simply about low cost – the Trustee also considers the quality of the services which members pay for. With the help of its advisers the Trustee compares the charges and costs as well as the quality of the services against other similar schemes.

Result

The Trustee believes that the **Scheme gave Good Value for Members** during the year ending 5 April 2019.

Member borne charges

Members bear the charges for investment (including management and transaction costs). The Employer bears the costs of governance, administration and communications.

Approach

The Trustee adopted the following approach to assessing Value for Members during the last year:

- Services – considered the investment, administration and communication services where members bear or share the costs;
- Outcomes – weighted each service according to its likely impact on outcomes for members at retirement;
- Comparison – the cost and quality of each service were compared against similar schemes and available external comparisons.
- Rating – each service was rated on the following basis:

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

The Trustee considers the Scheme offers poor value for members providing services, within the bottom 20% quality/cost range compared with typical options for similar schemes.	Poor

Assessment

The rationale for the rating of the investment service for the year ending 5 April 2019 is as follows:

Service and weighting	Rating	Rationale
Investment	Good	The Scheme provides a range of funds that members can self-select, and which the Trustee considers is an appropriate range for members. This includes a lifestyle strategy. **Money Purchase Section:** over the year (and longer time periods) the three self-select funds, which are also part of the lifestyle strategy have performed broadly in line with its objectives. The charges for the lifestyle option ranged from 0.115% to 0.16% of the amount invested. The transaction costs borne by members in the lifestyle strategy during the year were in a range from -0.021% to 0.018% of the amount invested. The investment advisor considers these charges to be below the average ones in the market. The charges for the self-select fund funds were in the range from 0.11% to 0.16% of the amount invested. The transaction costs borne by members in the self-select funds during the year were in a range from -0.021% to 0.018% of the amount invested. **AEGON AVCs**: the points made above in relation to the Money Purchase Section are also relevant to the AVC investments made with AEGON, therefore the Value for Members is rated as good. **Unit-linked AVCs:** during the year, the charges for the unit-linked AVC funds were in a range from 0.75% to 1.31% of the amount invested. They are considered by our advisers to be broadly comparable with other AVC funds for similar sizes schemes. Investment performance over three years was ahead of benchmark for five out of the six funds. **With-Profits AVCs:** Some members' AVCs are invested in With Profits Funds with Prudential, Equitable Life, Aviva and Phoenix. The charges and transaction costs for the Aviva and Phoenix With Profits Funds are not disclosed. In addition, the section above highlights the limitations of assessing value on 'with profits' arrangements. As a result, this has limited the Trustee ability to assess value for these funds.

The Trustee has agreed an action plan for the coming year to improve value where necessary which is outlined in Section f of this Statement.

(d) Processing financial transactions and administration

The Trustee has appointed Hymans Robertson to administer the Scheme on their behalf since 1 September 2018, after transferring this service from Aon.

It should be noted that the service levels (including core financial transactions) cover all aspects of the scheme that is administered by Hymans Robertson, including non-DC benefits. The Trustee has appointed AEGON as the Scheme's investment platform provider. There are also other AVC providers.

The Trustee monitored core financial transactions relating to money purchase benefits during the year, from both administrators, including:

- Switches between investment options; and
- Payments of benefits (including retirements and outward transfers from of funds).

There were no contributions paid in the year because the arrangements have been closed to new contributions since 2013.

The Trustee has a service level agreement in place with Hymans Robertson, including covering:

- Processing of investment switches, including AVCs, within 10 working days;
- Processing of death cases within 5 working days;
- Processing divorce cases within 10 working days;
- Response to members enquiries within 7 working days;
- Provision of retirement pack and quotation of benefits within 10 working days;
- Payments of retirement benefits are made within 5 working days;
- Provision of transfer value quotation within 10 working days; and
- Payment of transfer value within 10 working days.

The Scheme's administrator, Hymans Robertson, aim to ensure that 95% of all these processes are completed within these service levels.

The Trustee understands that Hymans Robertson monitors its performance against these service levels by:

- Maintaining compliance with ISO 27001 Certificate;
- Maintaining accreditation with the Pensions Administration Standards Association ("PASA");
- Monitoring daily transactions;
- Monitoring daily workflow items;
- Regular internal audits of administration procedures; and
- Reviewing the level, causes and resolution of complaints.

The Trustee monitored core financial transactions relating to money purchase benefits and administration service levels during the year by:

- Receiving quarterly reports from the administrator on the processing of financial transactions and other administration processes against the agreed service levels;
- Considering the reasons for and resolution of any breaches of service standards;
- Arranging reviews of data accuracy;
- Receiving reports from the Scheme's Auditor, who independently tests sample transactions for accuracy and timeliness; and
- Considering member feedback including any complaints.

The Trustee is generally satisfied that the service standards were met and that core financial transactions were processed promptly and accurately relating to money purchase benefits noting the following:

- The Trustee receives regular reports from the administrator, which showed service standards were met on 81% of work between 1 September and 30 November 2018 (immediately following the change of administrator, rising to 93% of work between 1 December 2018 and 28 February 2019);

The Trustee conducted a review of the administrator in 2018. As part of the appointment process, the Trustee conducted a review of administrators and considered a range of factors such as quality of service and cost. The Trustee is therefore satisfied that the service provided by Hymans Robertson is competitive.

Transfer from BlackRock Life to Aegon

On 1 July 2018 the defined contribution administration business of BlackRock Life was transferred to Aegon. The funds in which the Scheme invests were transferred seamlessly between BlackRock Life and Aegon and so members did not face any out-of-market risks or transaction costs.

Overall, the Trustee is satisfied that during the year:

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

Security of assets

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

The Trustee has considered, at a high level, the position were anything to happen to the investment platform provider (AEGON) and the Scheme's fund managers and believes that the structures that are in place are appropriate given other possible structures available. The Trustee monitors developments in the marketplace with respect to the security of members' assets on a regular basis.

(e) Trustee knowledge and understanding

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

- There is an induction process for newly appointed Trustee Directors who are asked to complete the Pensions Regulator's 'Trustee Toolkit' (an online training program to support newly appointed trustees) within six months of becoming a Trustee Director;
- Trustee Directors are expected to have a working knowledge of the Scheme's Trust Deed and Rules;
- Trustee Directors are expected to have a working knowledge of the Scheme's Statement of Investment Principles as well as the investment concepts relevant to defined contribution schemes;
- Trustee Directors are expected to have a working knowledge of all documents setting out the Trustee's current policies;
- Trustee Directors are expected to have sufficient knowledge and understanding of the law relating to pensions and trusts;
- Trustee Directors are encouraged to undertake further study and qualifications which support their work as Trustee;

- The Trustee have a documented plan in place for ongoing training appropriate to their duties;
- The effectiveness of these practices and the training received are reviewed annually; and
- The Trustee carries out regular assessments to confirm and identify any gaps in their knowledge and skills.

The Trustee received the following training during the last year:

Date	Topic	Aim/benefit to the Trustee and to members	Trainer
May 2018	Chair's Statements	This was an educational session for the Trustee to help them understand the new requirements for the Chair's Statements	Hymans Robertson
May and November 2018	Investment Strategy	These were educational session for the Trustee that included an overview of different asset classes and strategies	Hymans Robertson
May and November 2018	Responsible investment and Climate Risk	The Trustee Directors now have a clear understanding of their legal responsibilities in relation to responsible investment and are now considering whether any changes should be made to the range of funds offered to members.	Hymans Robertson
November 2018	Master Trusts	This session helped the Trustee Directors to understand developments in the master trust marketplace to help them assess whether this model could potentially benefit members with money purchase benefits over the longer term	Hymans Robertson

In addition to the training set out above, the Trustee receives the following updates to ensure it maintains sufficient knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment:

- The Trustee also receives regular "hot topics" and "current issues" from its adviser covering technical and legislative/regulatory changes affecting defined contribution (and additional voluntary contribution) schemes in general.
- The Investment Committee also receive Scheme specific action-based DC governance updates and Investment Perspectives, a publication highlighting some of the most topical investment issues.

The Trustee maintains and tests its familiarity with the Scheme's documentation, pensions Law and Regulation and the Pensions Regulator's DC Code of Practice 13 and supporting guides by:

- Completing an annual self-assessment against the DC Code.
- The Trustee Directors test their familiarity with the Scheme's documentation, pensions Law/Regulations and the Pensions Regulator's DC Code of Practice 13 and supporting Guides as part of its Trustee Board meetings.

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

The Trustee reviews the effectiveness of its advisers annually and also periodically reviews the appointment of its advisers.

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

Date	Review of
November 2018	Trustee Effectiveness covering the following topics: • the make-up of the board; • the effectiveness of decision making; • Trustee knowledge and understanding; • key governance activities and Trustee support; • conflicts of interest.

The Trustee develops an annual training plan and will conduct a full Trustee Effectiveness Review over the coming year.

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

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

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

(f) Action plan

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

- Complete a detailed review of the investment options, including the lifestyle strategy and self-select funds offered;
- Arrange for the publication of the Chair's Statement and Statement of Investment Principles in a publicly searchable location on the internet. A note of this location will be included in the annual benefit statements;
- Consider the possible transfer of some of the unit-linked and With Profits funds from other providers to AEGON to improve the value for members;
- Review its investment beliefs on Environmental, Social and Governance ("ESG") considerations and update the Statement of Investment Principles to reflect the September 2018 Regulations on Responsible Investment which come into force on 1 October 2019; and
- Monitor progress at Trustee meetings.

Exhibit 1

Table of funds and charges

1a Lifestyle Strategy and Self-Select Funds

Members have the choice of three funds (or any combination of them) and a lifestyle strategy (that uses the same funds) for DC and AVC arrangements with AEGON.

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year used in the lifestyle strategy and self-select funds were:

Fund	ISIN *	Charges **		Underlying Fund***	ISIN *	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested			% p.a. of the amount invested	£ p.a. per £1,000 invested
AEGON BlackRock 60/40 Global Equity Index	GB00B5672365	0.16%	£1.60	BlackRock 60/40 Global Equity Index	GB00BYX7SD48	0.004%	£0.04
AEGON BlackRock Cash	GB00B4JPXM68	0.13%	£1.30	AEGON BlackRock Cash	GB00B5B12Z56	0.018%	£0.18
AEGON BlackRock Over 15 Years Gilt Index	GB00B4JPXM68	0.11%	£1.10	AEGON BlackRock Over 15 Years Gilt Index	IE00B52L4369	-0.021%	-£0.21

Source: AEGON, 31 March 2019

Transaction costs arise when the fund manager buys, sells lends or borrows investments. These costs are allowed for within the unit prices of the funds, which means they are not readily visible. In 2017, the Financial Conduct Authority (FCA) published its policy on how fund managers must disclose transactions costs. Due to the way they are calculated, these may be negative, meaning the price of a trade when transacted was lower than when the instruction to make the trade took place.

1b Additional Voluntary Contributions from Legacy Providers

The Scheme held other AVC's with the following providers with the fund charges and transaction costs as shown below:

Fund	ISIN *	Charges **		Transaction costs	
		% p.a. of the amount invested	£ p.a. of the amount invested	% p.a. of the amount invested	£ p.a. per £1,000 invested
Prudential With-Profits Fund [1]	Not available	1.04%	10.40	0.05%	0.50
Prudential Discretionary	GB0031685745	0.80	8.00	-0.07%	-0.70
Prudential Global Equity	GB0031685968	0.75	7.50	-0.04%	-0.40
Prudential International Equity	GB0031686263	0.76	7.60	0.08%	0.80
Prudential Fixed Interest	GB0031685851	0.75	7.50	-0.10%	-1.00
Prudential UK Property	GB0031694143	1.31	13.10	0.26%	2.60
Equitable Life With-Profits Fund [1]	Not available	1.00%	10.00	0.03%	0.30
Equitable Multi-Asset Managed Fund	Not available	0.75%	7.50	0.07%	0.70
Aviva With-Profits Fund [12]	Not available	1.00%[2]	10.00[2]	Not available	Not available
Phoenix With-Profits Fund [1]	Not available	Not available	Not available	Not available	Not available

[1]The charges and transaction costs for With-Profits Funds are deducted from the overall fund before bonus rates are set for all policyholders. It is therefore not possible to determine the exact charges and costs borne by members.

[2]For the Aviva Life & Pensions UK Limited With-Profits Sub Fund, the maximum amount deducted from the fund is 1% of the value of the fund, or 1.5% for the first ten years (and 1% thereafter).

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

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

***Underlying Fund = the fund in which the Scheme's top level Fund invests.

Transaction costs arise when the fund manager buys, sells lends or borrows investments. These costs are allowed for within the unit prices of the funds, which means they are not readily visible. In 2017, the Financial Conduct Authority (FCA) published its policy on how fund managers must disclose transactions costs. Due to the way they are calculated, these may be negative, meaning the price of a trade when transacted was lower than when the instruction to make the trade took place.

As noted above International Securities Identification Numbers (ISINs) are not quoted for the Prudential, Equitable, Aviva and Phoenix With Profit funds.

Exhibit 2

Tables illustrating the impact of charges and costs for AEGON funds

2a for the self-select funds

The following tables show the potential impact of the costs and charges borne by an average member(s) on projected values at retirement in today's money i.e. real terms, after allowing for the effects of future inflation.

For a typical member of age 30 with an opening fund value of £27,000:

Years to retirement	Lifestyle Strategy		AEGON BlackRock 60:40 Global Equity Index		AEGON BlackRock Cash	
	Before costs and charges (£)	After costs and charges (£)	Before costs and charges (£)	After costs and charges (£)	Before costs and charges (£)	After costs and charges (£)
1	51,010	48,460	57,627	54,623	18,056	17,519
3	51,337	48,882	55,113	52,405	18,488	17,970
5	50,961	48,643	52,709	50,277	18,931	18,433
10	47,148	45,328	47,148	45,328	20,085	19,644
15	42,174	40,867	42,174	40,867	21,309	20,934
20	37,725	36,844	37,725	36,844	22,608	22,309
25	33,745	33,217	33,745	33,217	23,987	23,774
30	30,185	29,948	30,185	29,948	25,449	25,336
35	27,000	27,000	27,000	27,000	27,000	27,000

Source: Hymans Robertson using AEGON costs and charges information.

For a typical member of age 50 with an opening fund value of £27,000:

Years to retirement	Lifestyle Strategy		AEGON BlackRock 60:40 Global Equity Index		AEGON BlackRock Cash	
	Before costs and charges (£)	After costs and charges (£)	Before costs and charges (£)	After costs and charges (£)	Before costs and charges (£)	After costs and charges (£)
1	32,657	32,017	36,893	36,088	22,878	22,595
3	32,866	32,295	35,284	34,623	23,425	23,177
5	32,626	32,137	33,745	33,217	23,987	23,774
10	30,185	29,948	30,185	29,948	25,449	25,336
15	27,000	27,000	27,000	27,000	27,000	27,000

Source: Hymans Robertson using AEGON costs and charges information.

The assumptions used in these calculations were:

- The opening DC pot size is £27,000, which was the average pot size for members at 25 March 2019.
- The investment return for each fund above was:

Fund	Return % p.a.
AEGON BlackRock 60/40 Global Equity Index	4.3%
AEGON BlackRock Cash	0.8%
AEGON BlackRock Over 15 Years Gilt Index	0.8%

The lifestyle strategy uses all three funds according to how far a member is from retirement.

- No further contributions are paid;
- The rate of inflation was assumed to be 2.0% p.a.
- The rate of increase in costs and charges is 0% p.a.
- The assumptions as used in the Statutory Money Purchase Illustrations included with members' benefit statements have otherwise been used.

Please note that these illustrated values:

- Are estimates using assumed rates of future investment returns and inflation which may not be borne out in practice;
- The assumptions used may be differ in the future to reflect changes in regulatory requirements or investment conditions;
- Will be affected by future, and as yet unknown, changes to the Scheme's investment options;
- Are not guaranteed;
- Depend upon how far members in the lifestyle option are from retirement as the funds used change over time;
- May not prove to be a good indication of how your own savings might grow;
- Comply with the Technical Actuarial Standards (TAS) 100: Principles for Technical Actuarial Work.

Exhibit 3

Statement of Investment Principles

For the De La Rue Pension Scheme

1 Introduction

This is the Statement of Investment Principles made by De La Rue Pension Trustee Limited (the "Trustee") in its capacity as Trustee of the De La Rue Pension Scheme ("the Scheme"). This Statement has been written in accordance with the Pensions Act 1995 (as amended) and the Occupational Pension Scheme (Investment) Regulations 2005.

In preparing this Statement, the Trustee has consulted with the principal employer to the Scheme (De La Rue plc) and has taken and considered written advice from Hymans Robertson LLP ("the Advisors"). The Trustee believes that these Principles are consistent with those underlying the Myners Code of Conduct for Investment Decision Making.

The Trustee is supportive of the UK Stewardship Code which seeks to improve the quality of engagement between institutional investors and investee companies. Where appropriate, the Trustee expects investment managers to comply with the Code and to produce a statement of their commitment to the Code.

The Trustee will review this Statement at least every three years, or more frequently as considered appropriate by the Trustee, and specifically in response to legislative and regulatory changes or a change to the attitude in risk of the Trustee or the sponsor, if appropriate.

The Scheme's investment arrangements, based on the principles set out in this Statement, are detailed in the Investment Policy Implementation Document (IPID).

1.1 Governance of the Scheme

The ultimate power and obligation for deciding on the strategic investment policy lies solely with the Trustee. The main areas of investment responsibility include:

- Determination of strategic allocation;
- Determination of portfolio structure;
- Selection and appointment of external investment managers; and
- Ongoing monitoring and evaluation of the investment arrangements.

To ensure effective management of investment issues, the Trustee has established an Investment Committee ("IC"). The Terms of Reference for the IC have been set by the Trustee and may be changed by the Trustee from time to time. The IC monitors the Scheme's investment arrangements through regular reports and quarterly meetings.

2 Defined Benefit (DB)

2.1 Primary objective

The Scheme was closed to new members with effect from 1 October 2010 and to future accruals with effect from 31 March 2013.

The primary objective of the Defined Benefit section of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis.

The Trustee's overriding funding principles for the Scheme are:

to ensure that there are always sufficient assets of the Scheme (at their realisable value) to meet 100% of benefits as they fall due for payment to members; and

to recover any shortfall in assets relative to the value placed on accrued liabilities over the longer term.

The Trustee's statutory funding objective is that the Scheme should have sufficient and appropriate assets to cover its technical provisions. Further details are provided in the Statement of Funding Principles. The value of liabilities is calculated on the basis agreed by the Trustee and the Scheme Actuary. The funding position is monitored regularly by the Trustee and formally reviewed at each triennial actuarial valuation or more frequently, as required by the Pensions Act 2004.

2.2 Investment objectives and strategy

The Trustee's investment objectives are to invest the assets of the Scheme prudently to ensure that the benefits accrued to members are provided and to target a Funding Level of 100% on the technical provisions valuation basis. The Trustee has translated these investment objectives into a suitable strategic asset allocation and associated benchmarks which are consistent with the Trustee's views on the appropriate balance between seeking a long-term return on investments and accepting greater short-term volatility and risk.

The investment strategy takes due account of the maturity profile of the Scheme (in terms of the relative proportions of liabilities in respect of pensioners and non-pensioners) together with the level of disclosed surplus or deficit (relative to the funding bases used) and the Trustee's view of the covenant of the principal employer. The Scheme is now closed to accrual and the Trustee will seek to reduce investment risk over time as the funding level improves.

The Trustee monitors asset allocation and fund performance relative to the agreed benchmark. It is intended that investment strategy will be reviewed at least every three years following actuarial valuations of the Scheme. In reviewing strategy, the Trustee will seek written advice as required.

The Trustee has delegated all day-to-day investment decisions to authorised investment managers and monitors the performance of Scheme investments relative to agreed criteria on a regular basis.

Full details of the current investment strategy, mandates, and implementation are set out in the IPID.

2.3 Investment strategy

The strategic asset allocation has been translated into benchmarked mandates for the individual managers which are consistent with the Scheme's overall strategy. The strategic asset allocation is consistent with the Trustee's views on the appropriate balance between seeking an enhanced long-term return on investments and accepting greater short-term volatility and risk.

Choosing investments

The Trustee has appointed five investment managers ("the Managers") to manage the Scheme's assets. The managers are authorised under the Financial Services and Markets Act 2000 to undertake investment business. The Trustee, after seeking appropriate investment advice, has given the managers specific guidelines including, but not limited to, asset allocation and geographic spread, on how investment mandates are to be managed. Subject to their respective benchmarks and guidelines, the managers are given full discretion over their choice of securities and are expected to maintain diversified portfolios.

Kinds of investments to be held

The Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed-interest and index-linked bonds, cash, property and commodities, either directly or through pooled funds. The Scheme may also invest in derivatives for efficient portfolio management or to hedge specific risks. The Trustee considers all these classes of investment to be suitable in the circumstances of the Scheme.

Balance between different kinds of investments

The strategic asset allocation of the Scheme includes a mix of asset classes across a range of geographic regions to provide diversification of returns. The Scheme's investment managers will hold a mix of investments within their mandates which reflects their views relative to their respective benchmarks. Within each major market each manager will maintain a diversified portfolio through direct investment or pooled vehicles.

2.4 Risk

The Trustee recognises and monitors the risks involved in the investment of assets of the Scheme. These risks and how they are managed, are as follows.

Funding risks

Risk	Nature of risk	Management of risk
Funding and asset/liability mismatch	Funding level is adversely affected due to a mismatch between the assets and liabilities (Scheme assets fail to grow in line with the developing cost of meeting the liabilities).	The Trustee invests in asset classes which, in aggregate, are expected to produce the level of return required without placing undue reliance on any one source of return. In times of high inflation, the returns on real assets such as equities and index-linked bonds should provide some protection against an increase in liabilities. The Trustee monitors how assets move relative to Scheme liabilities, how the Scheme's actual asset allocation varies relative to the strategic benchmark, and how each manager performs relative to their benchmark.
Changing demographics	Longevity improves, and other demographic factors change, increasing the cost of the Scheme benefits.	The Trustee keeps mortality and other demographic factors under review. These assumptions are considered formally at triennial valuations and the Trustee may enter into insurance contracts (bulk annuities or longevity swaps) to reduce these demographic risks.

Systemic risk	Possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting Scheme liabilities. Climate change is a systemic risk with the potential for economic, financial and demographic impacts.	The Trustee seeks to maintain a diversified portfolio, but it is not possible to make provision for all possible eventualities that may arise under this heading.

Asset risks

Risk	Nature of risk	Management of risk
Manager under-performance	Managers fail to achieve the rate of investment return assumed in setting their mandates.	Appropriate diversification across asset classes within sectors and between individual stocks to minimise the effect of one stock or sector performing badly. The use of passive management for asset classes where the downside risk of active management is considered too high. Regular monitoring of manager performance, processes, and capabilities, with respect to their mandate.
Concentration	A significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.	Investing in a well-diversified portfolio of assets.
Liquidity	The Scheme cannot meet its immediate liabilities because it has insufficient liquid assets.	The Trustee invests most of the assets in asset classes which are realisable with sufficient notice to meet Scheme cash flow requirements.
Currency	The currency of Scheme assets underperforms relative to the currency of the liabilities (sterling).	Sub funds in the Scheme's global equities mandate have their overseas exposure hedged back to sterling.
Counterparty risk	A counterparty to a derivative arrangement defaults on its future obligation to the Scheme.	Where derivatives are used it is required that regular collateral or margin payments be made.
Covenant risk	The employer ceasing to exist or having insufficient resources to meet the agreed recovery plan.	For reasons of prudence, the Trustee has considered this when setting the asset allocation strategy.
Environmental, Social and Governance (ESG)	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.	The Trustee has received training on ESG and will consider whether funds that manage ESG risks could be incorporated into the investment strategy. The Trustee's approach to ESG risk is set out in 2.8 below.
Climate	The extent to which climate change causes material deterioration in asset value due to factors including, but not limited to: policy	The Trustee recognises the risks posed by climate change and monitors developments in this area and its long term financial impacts. The

	change, physical impacts, and the expected transition to a low-carbon economy.	Trustee's approach to climate risk is set out in 2.8 below.
Legislative and regulatory	Changes in government policy or taxation may have a long-term positive or negative impact on certain sectors of a country's economy or one country relative to its neighbours over the medium-to-long term. Regulatory changes can also affect operational costs, tax efficiency and security of one investment vehicle relative to other vehicles over the shorter term.	The Trustee receives regular updates on legislative and regulatory changes from the advisers to remain abreast of aspects relevant to its members.

Other: Provider risk

Risk	Nature of risk	Management of risk
Transitions	Incurring unexpected costs or exposure to adverse market movements when transitioning assets among managers or among asset classes.	The Trustee seeks to organise transitions in a structured fashion with the advice of the advisers or, if appropriate, by using a specialist transitions manager.
Credit default	Other counterparty to investments fails to meet its obligations.	The Trustee imposes restrictions on managers through the Investment Management Agreements or Fund Offering Documents.
Custody	Loss of Scheme assets when held in custody or when being traded.	The Trustee has delegated the management of this risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds).

2.5 Expected return on investments

The investment strategy aims to achieve a return on Scheme assets which, with contributions, is sufficient to match growth in the Scheme's liabilities over time. In the long-term the overall investment return is expected to exceed the rate of return assumed by the Actuary in funding the Scheme.

2.6 Realisation of investments

The majority of the Scheme's investments may be realised quickly if required.

2.7 Additional Voluntary Contributions (AVCs)

The Trustee gives members the opportunity to invest in a range of vehicles at each member's discretion.

2.8 Responsible Investment – DB Scheme

The Trustee recognises that having a formal Responsible Investment policy will better allow the Trustee to prioritise investment decisions.

Financially material considerations

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

The Trustee is targeting long-term sustainable investment returns over the expected investment horizon of the Scheme and encourages investment managers to implement views which extend over the duration of the liabilities.

Strategic considerations: The strategic benchmarks have been determined using appropriate long-term economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors.

- The Trustee acknowledges the risks of climate change but given the inherent uncertainty of its timing and impact, and the relatively short horizon and nature of the Scheme's investments, the Trustee has not made explicit allowance for the risks of climate change in setting the strategic benchmark. However, the Trustee will discuss the importance of climate risk with its adviser and monitor developments in this area.

Structural considerations: Given the discretion delegated to the investment managers, the Trustee expects that the managers will consider all financially material factors including the potential impact of ESG factors in the implementation of their mandates.

Investment manager selection: In active mandates, the Trustee has delegated responsibility for the consideration of stock-specific issues to the individual investment managers.

In passive mandates, the Trustee recognises that the choice of benchmark dictates the assets held by the manager and that the manager has minimal freedom to take account of factors deemed financially material.

- The Trustee accepts that the role of the passive manager is to deliver returns in line with the benchmark and will on a regular basis review the choice of benchmarks to deliver appropriate risk-adjusted returns.

The Trustee is satisfied that the investment managers are following an approach which takes account of all financially material factors.

In selecting new investment managers, where relevant to the investment mandate the Trustee will explicitly consider the potential managers' approach to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision making.

Non-financially material considerations

The Trustee does not currently impose restrictions or exclusions on the investments based on non-financially material factors but may consider doing so in the future, while acknowledging the difficulty of such implementation. The Trustee recognises, however, that some members may have strong personal views or religious convictions that influence where they believe their savings should, or should not, be invested.

Stewardship

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

The Trustee's policy is to delegate responsibility for the voting decisions on stocks to the investment 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.

As part of broader monitoring activity, the Trustee will review engagement policies and actions, including voting, undertaken by the Scheme's investment managers.

The investment managers should engage with key stakeholders relating to their investments to improve corporate behaviours, improve performance, and mitigate financial risks.

3 Defined Contribution (DC) Section

3.1 Primary objective

The primary objective of the DC Section is to provide, on a defined contribution basis, benefits for members on their retirement or benefits for their dependents on death before retirement. The Scheme's investment arrangements are designed to help deliver good outcomes for members at retirement. The Scheme was closed to new members from 1 October 2010 and to future contributions from 31 March 2013.

3.2 Investment arrangements

As the Scheme is not a qualifying scheme for auto-enrolment purposes, there is no requirement for a default arrangement. The Trustee encourages active decision-making by members, and members are therefore asked to make an explicit choice regarding the investment of their funds, choosing from a 'Lifestyle strategy' and range of self-select options.

A selection of funds is likely to meet the needs of a wide cross-section of members because:

3.2.1 Risk-return attitudes will vary among members and will also vary for each member over time, especially as they approach retirement;

3.2.2 Members have differing investment needs, which change over their working lives; and

3.2.3 Members may prefer to be closely involved in choosing where their contributions are invested.

Membership analysis

The Trustee conducted a review in 2019 of the investment arrangements, considering the Scheme's membership profile (including age, current pot size and projected retirement pot size, years to retirement) and how members currently use their retirement funds. The Trustee believes that these factors are essential to providing investment options which meet the needs of most members.

Costs of investment options

While administrative and governance costs are borne by the Employer, members are responsible for investment management costs. Details of the current member charges are provided in the Investment Policy Implementation Document (IPID) which accompanies this Statement.

Lifestyle strategy

The 'Lifestyle strategy' invests contributions in a combination of funds according to how far each member is from their selected retirement date. Details of the Lifestyle strategy are provided in the Scheme's IPID.

Self-select funds

The self-select fund range covers a spectrum of investment risk levels and approaches, so that members can tailor their investments closely to their personal needs and risk attitude. Nonetheless, the Trustee recognises that the self-select range cannot be expected to cover the investment needs of all members. The funds available in the Lifestyle strategy are all available individually as self-select options and members can choose to invest in one or more of these funds.

Details of the self-select investment options are provided in the Scheme's IPID.

Risk and return

The expected levels of investment returns (after the deduction of charges) and risks for the funds offered to members are consistent with the Trustee's objectives for these investment options.

3.3 Investment risk

The Trustee recognises that there are risks facing members of the Scheme and has considered these when determining the range of funds to offer to members. As members may have different attitudes to risk, the range of funds provides them with sufficient choice across the risk-return spectrum to allow them to manage the key risks they face within the Scheme.

The main risks faced by members and the Trustee's steps to manage these risks are as follows:

Principal investment risks

Risk	Nature of risk	Management of risk
Inflation	Investments do not keep track with inflation.	The Scheme offers equity-based investments which are expected to achieve a real rate of return (above both price inflation and earnings growth) in the long term.
Benefit conversion	Market movements in the period just prior to retirement increase the cost of turning members' fund values into benefits.	The Lifestyle strategy switches from equities into bonds and introduces a cash element in the run up to a member's retirement date. Outside of the Lifestyle members can also invest in cash and bond funds which may best reflect their choices at retirement.
Market volatility	The value of assets invested fluctuates.	The Trustees inform members in the standard literature that they may not get back the amount invested and that this risk is implicit in trying to generate returns above returns to cash.

Other investment risks

Risk	Nature of risk	Management of risk
Pre-retirement downturn	A downturn in equity markets in the period leading up to retirement cause members to lose gains built up over their working life.	The range fund range includes a bond fund (with lower volatility than equities and a closer link to annuity prices) and a cash fund (offering capital protection). The Lifestyle strategy de-risks members into bonds and cash in the run up to their retirement.
Liquidity	Holding assets that cannot easily be sold should the need arise.	Offering a range of pooled funds which have daily dealing. The underlying assets are all invested in securities which are highly liquid and marketable.
Concentration	Arises from a lack of diversification within each of the investment options available.	Offering a range of funds so that members can choose to invest in a well-diversified portfolio. The range enables diversification by asset class, i.e. equity, bonds, and cash and within each asset class.

Interest rate	The value of funds which invest in bonds will be affected by changes in interest rates.	The Trustee recognises the impact of interest rates movements and communicates this to members as part of standard member communications.
Default (bonds)	The issuing company or government fails to pay the interest due or repay principal.	The bonds fund invests in UK Gilts which are at low risk of default.
Currency	Exchange rate fluctuations will impact the value of investments outside the UK when they are being bought or sold.	The Trustee recognises the risk of currency movements but currently only offers unhedged versions of the funds to members.
Active management	The active investment manager will not deliver returns in line with their stated targets.	The only actively managed fund in the Scheme's investment options is a Cash fund (which is seeking to provide capital protection through active management of the underlying holdings).
Counterparty risk	The financial institutions holding a fund's assets may get into financial difficulties leading to a loss in value.	The Trustee delegates the appointment and day-to-day management decisions to the fund managers.
Environmental, Social and Governance (ESG)	The extent to which ESG issues are not reflected in asset prices or not considered in investment decision-making, leading to underperformance relative to expectations.	The Trustee has received training on ESG and will consider whether funds that manage ESG risks could be made available. The Trustee's approach to ESG risk is set out in 3.7 below.
Climate	The extent to which climate change causes material deterioration in asset value due to factors including, but not limited to: policy change, physical impacts, and the expected transition to a low-carbon economy.	The Trustee recognises the risks posed by climate change and monitors developments in this area and its long-term financial impacts. The Trustee's approach to climate risk is set out in 3.7 below.
Legislative and regulatory	Changes in government policy or taxation may have a long-term positive or negative impact on certain sectors of a country's economy or one country relative to its neighbours over the medium-to-long term. Regulatory changes can also affect operational costs, tax efficiency and security of one investment vehicle relative to other vehicles over the shorter term.	The Trustee receives regular updates on legislative and regulatory changes from the Scheme's advisers to remain abreast of aspects relevant to its members.

3.4 Expected return on investments

The expected returns on the principal asset classes and fund types within the DC section are:

Asset class	Expected long-term return
Equities	Strong return relative to inflation. Most volatile asset class in the short term.
Fixed-interest Government Bonds (UK Gilts)	Positive return, but lower than equities, property or corporate bonds. Current yields being below inflation suggest that the expectation of positive returns over inflation is unlikely to be met. This asset class should nonetheless provide interest-rate duration hedging, with lower volatility than equities, property or corporate bonds.
Cash	Return may not keep pace with inflation, but gives minimal volatility, with high degree (but not complete) of capital security.

3.5 Investment horizon

The Trustee monitors the age profile of the Scheme's membership to arrive at an appropriate investment horizon when considering all investment risks.

3.6 Types of funds used

Delegation of investment decisions

The Scheme uses funds provided through an investment platform, which in turn invest in funds provided by fund managers whereby investments are pooled with other investors. This enables the Scheme to invest in a range of funds giving a good spread of investments in a cost-effective manner.

Security of assets

The funds are provided through a policy of insurance issued to the Trustee by the platform provider. and 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 a range of investment structures. In the event of a fund manager getting into financial difficulty, 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. The Trustee has reviewed the structure of the funds offered to members and is satisfied that this is appropriate against other possible structures available.

Realisation of investments

Funds need to be sold to make payments of benefits and to undertake fund switches in accordance with the Lifestyle strategy or as requested by the member.

The Trustee expects the platform provider to be able to realise funds in reasonable time. The Trustee recognises that the manager may at times need to impose restrictions on the timing of purchases and sale of funds in some market conditions to protect the interests of all investors in a fund.

Balance of investments

Overall, the Trustees believe that the Scheme's investment options provide a balance of investments and are appropriate for managing the risks typically faced by members.

3.7 Responsible Investment – DC Section of the Scheme

The Trustee recognises that having a formal Responsible Investment policy will better allow the Trustee to prioritise investment decisions.

Members' financial interests

The Trustee has requested that the platform provider and investment managers have the financial interests of the members as their priority when choosing investments.

Financially material considerations

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

Strategic considerations: The Trustee acknowledges the risks of climate change, especially given the longer time horizon of the Scheme's DC Section but given the inherent uncertainty of its timing and impact, the Trustee has not, at this stage, made explicit allowance for the risks of climate change in setting the Scheme's investment strategy.

- The Trustee has reviewed the Scheme's fund range and will continue over time to consider the suitability of incorporating ESG considerations directly into the investment options. The Trustee will discuss the importance of climate risk with its adviser and will monitor developments in this area with formal updates on at least an annual basis.

Structural considerations: Given the discretion delegated to the platform provider and investment managers, the Trustee expects that the managers will consider all financially material factors including the potential impact of ESG factors in the implementation of their mandate.

Investment manager selection: With the exception of the Cash fund, all of the scheme's funds are passively managed. In passive mandates, the Trustee recognises that the choice of benchmark dictates the assets held by the manager and that the manager has minimal freedom to take account of factors deemed financially material.

- The Trustee accepts that the role of the passive manager is to deliver returns in line with the benchmark and will on a regular basis review the choice of benchmarks to deliver appropriate risk-adjusted returns.

The Trustee is satisfied that the platform provider and investment managers are following an approach which takes account of all financially material factors.

In selecting new investment managers, where relevant to the investment mandate the Trustee will explicitly consider the potential managers' approach to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision making.

Non-financially material considerations

The Trustee does not currently impose restrictions or exclusions on the investments based on non-financially material factors but may consider doing so in the future, while acknowledging the difficulty of such implementation. The Trustee recognises, however, that some members may have strong personal views or religious convictions that influence where they believe their savings should, or should not, be invested.

Although members make active investment choices, the Trustee has decided at this stage not to formally survey members' views on non-financial factors relating to the Scheme's investments but will re-visit this over time. The Trustee will consider what, in their reasonable opinion, members' views of non-financial factors are likely to be, given this approach to engagement with members. The Pensions Team will continue to update the Trustee on any feedback from members specifically in relation to ESG issues.

Stewardship

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

The Trustee's policy is to delegate responsibility for the voting decisions on stocks to the investment 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.

As part of broader monitoring activity, the Trustee will review engagement policies and actions, including voting, undertaken by the Scheme's investment managers.

The investment managers should engage with key stakeholders relating to their investments to improve corporate behaviours, improve performance, and mitigate financial risks. This Statement of Investment Principles was completed in August 2019. It will be next reviewed no later than autumn 2022 and without delay after any significant change in investment policy.

This Statement of Investment Principles was completed in September 2019. It will be next reviewed no later than autumn 2022 and without delay after any significant change in investment policy.

Signed on behalf of the Trustee of the Scheme:

Name	Signature	Date
Mike Roberts		26/09/2019

Name	Signature	Date
S. MERCER		30/9/19