

# Chair's Annual Governance Statement

CRISP Trustees Limited, the "Trustee" of the Compass Retirement Income Savings Plan ('CRISP' or the 'Plan'), is required by law to prepare this statement on governance for inclusion in the Trustee's Annual Report.

This statement covers the Plan year from 6 April 2019 to 5 April 2020.

This statement describes how the Trustee seeks to make sure that the Plan is well-managed and delivers a good standard of services to members. This statement covers five key areas:

1. the investment strategy relating to the Plan's default arrangement;
2. the processing of core financial transactions;
3. charges and transaction costs for the Plan's funds;
4. value for members assessment; and
5. the Trustee's compliance with the statutory knowledge and understanding requirements.

## The Plan's default investment arrangement

Members who join the Plan and do not choose an investment option are placed into the default investment arrangement for the Plan. The Trustee is responsible for the Plan's investment governance, which includes setting and monitoring the investment strategy for the Plan's default arrangement.

The current default investment arrangement for the Plan is the Aviva Pensions Mercer Growth/Balanced Risk Fund. Eight years from retirement, members' funds are transferred into an appropriate Aviva Pensions Mercer Target Cash Fund that gradually de-risks their investments to 100% cash, ready for members who are intending to take their savings as a cash sum when they retire.

As required by law, the Trustee has attached the latest copy of the default arrangement's Statement of Investment Principles ('SIP') (Item A at the end of this statement). This SIP was signed on behalf of the Trustee and principal employer on 30 September 2019.

The SIP covers the following key matters in relation to the default arrangement:

- The Trustee's aims and objectives in relation to the investments held in the default arrangement:
  - To maximise the value of members' assets at retirement.
  - To maintain the purchasing power of members' savings.
  - To provide protection for members' accumulated assets in the years approaching retirement against sudden (downward) volatility in capital value; and fluctuations in the (implicit and explicit) costs of securing retirement benefits.
- The Trustee's policies on issues such as: the kinds of investments to be held; the balance between different kinds of investments; risks, including the ways in which risks are to be measured and managed; the expected return on investments; the realisation of investments; and the extent to which social,

environmental or ethical considerations are taken into account when selecting, retaining or realising investments.

- An explanation of how these aims, objectives and policies (which together form the Trustee “default strategy”) are intended to ensure that members’ assets in the default arrangement are invested in the best interests of those members (and their relevant beneficiaries).

Below are the steps the Trustee has taken to review the strategy and performance of the default arrangement.

The last formal review of the default investment arrangement was completed on 5 December 2017. At that time:

- The growth phase of the default arrangement, the Mercer Growth/Balanced Risk Fund, was deemed appropriate and was retained, as it met the Trustee’s objective to provide an investment vehicle that is expected to provide sustained long-term growth by generating returns in excess of inflation, whilst managing short-term volatility.
- The default arrangement targets cash at retirement and was deemed appropriate based on the current Plan demographics and the projected account values of members likely to be retiring in the next 5 to 10 years. As a result, no changes were made at that time and no changes have been made since.

No formal review of the default strategy has been carried out during the last Plan year. The last formal review was completed on 5 December 2017. However, the Trustee keeps the default arrangement under regular review and will amend it as appropriate based on its analysis of the likely requirements of the typical CRISP member. The next formal review of the default investment arrangement is scheduled to take place over the fourth quarter of 2020.

In addition to the default arrangement, the Trustee also monitors and considers the ongoing suitability of the Plan’s self-select fund range at each quarterly Trustee meeting. The Trustee considers trends in the DC market and advice from its advisers when making decisions regarding the range.

The last review of the self-select fund range was concluded on 11 September 2019. The Trustee reviewed each of the funds offered by CRISP and considered whether the addition of any new fund options might be appropriate. As a result of the review, the Trustee decided to make several changes to the current self-select fund options available to CRISP members.

The Trustee decided to implement a Shariah compliant fund. The Mercer Passive Shariah Fund was made available to members in December 2019, giving members access to a fund that invests in line with Shariah investment principles. The Trustee decided to add this fund in case the lack of a Shariah compliant option prohibited some employees from participating in the Plan or members from investing in line with their religious beliefs.

The Trustee also reviewed the BlackRock Global Equity 50:50 Fund (‘the BlackRock Fund’) and considered investment advice it received from its investment adviser, Mercer Limited. The Trustee decided to close the BlackRock Fund due to concerns that it is too heavily invested in UK equity markets for a global equity fund. It is

intended that this fund will be closed during 2020 and replaced with the Mercer Passive Global Equity Fund, which invests in line with global market weightings. Members with holdings in the BlackRock Fund have been contacted regarding this and the alternative options available to them.

In addition to the regular formal reviews, the Trustee reviews the performance of the default arrangement and self-select fund range at each quarterly Trustee meeting. Performance is assessed against the targets of the funds (such as return and risk) as well as the overall aims and objectives as specified in the SIP, such as an appropriate reduction in risk as a member approaches retirement. The Trustee believes that performance of the investment fund range has been in line with expectations, with the majority of funds delivering performance in line or in excess of their benchmarks. The Trustee will continue to review the performance of funds on an ongoing basis.

Members can review the wide range of fund information by logging into their CRISP account on the Aviva My Money platform [www.avivamymoney.co.uk](http://www.avivamymoney.co.uk) or from the CRISP literature or by seeking their own personal advice as they consider appropriate.

### **Requirements for processing core financial transactions**

As required by law, the Trustee must ensure that certain transactions, known as “Core Financial Transactions”, are processed promptly and accurately.

The Trustee operates a system of internal controls aimed at monitoring the Plan’s administration and management, which is explained in more detail below. Included in this system are mechanisms for ensuring the prompt and accurate processing of Core Financial Transactions, such as (but not limited to) the payment and investment of contributions, the transfer of member assets into and out of the Plan, the transfer of member assets between investments in the Plan and the payment of benefits to, and in respect of, members.

The following arrangements, mechanisms and controls have been put in place to ensure that these Core Financial Transactions are processed promptly and accurately:

- The Trustee has delegated the administration of the Plan, including the processing of Core Financial Transactions, to Aviva Life & Pensions UK Limited (‘Aviva’). The Trustee has a service level agreement (‘SLA’) in place with Aviva which includes key performance indicators (‘KPIs’) regarding the accuracy and timescales for processing Core Financial Transactions.

Details of the SLAs for the Core Financial Transactions on which Aviva are attached to this statement (Item B). Aviva has processes in place to help ensure that it meets the KPIs in the SLA, such as daily monitoring of bank accounts, a dedicated contribution team and individuals checking all investment and banking transactions. The delivery of Aviva’s services is independently overseen by Mercer Workplace Savings (‘MWS’), which provides an additional layer of platform-level governance and operational oversight, while also working with Aviva as required to resolve any Plan specific issues that arise.

- Aviva provides quarterly administration and governance reports, which are reviewed by the Trustee at its quarterly meetings. The reports set out Aviva’s

performance against agreed SLA targets and note any errors or delays that have been identified, which Aviva and the Trustee then work to resolve together. The Compass in-house pensions team also works with Aviva in relation to any specific issues, including complaints, to ensure that they are satisfactorily resolved and that members are not financially disadvantaged as a result.

- The Plan's risk register outlines the risks to Plan members in relation to Core Financial Transactions and details the internal controls that the Trustee has put in place with its administrator and advisers to manage these risks. The risks are monitored, reviewed and reassessed by the Trustee on a quarterly basis at each Trustee meeting and the risk register is updated to reflect new risks or issues of concern. Additional actions are also agreed to further improve the internal controls. This regular ongoing monitoring and the efforts to control risk should have a positive impact for members by mitigating the risks that they are exposed to while they are members of the Plan.
- The Plan has in place an agreed payment schedule that sets out the levels of contributions and the timescales for the Company to pay monthly contributions to the Plan. However, in practice, the Company pays the relevant contributions in much shorter timescales. Both the Compass in-house pensions team and the Trustee review the contribution summary provided in Aviva's quarterly administration and governance reports, which shows the amounts and dates received of the contribution submissions, and they check that contributions deducted from members and due from the Company have been correctly paid to the Plan, within appropriate timescales.
- The Plan's auditors (PricewaterhouseCoopers LLP) also spot check that contributions are paid in accordance with the Plan rules and payment schedule as part of their statutory audit of each annual Trustee's Report and Financial Statements. They also perform testing of the key controls over the investment of contributions received by reviewing reconciliations of cash movements between the Plan's bank account and Aviva.

During the last Plan year there have been no material administration service issues. Where minor issues or errors have been identified, remedial action has been taken including the involvement of the Compass in-house pensions team, MWS and Aviva through calls and regular meetings to ensure that members have not been financially disadvantaged as a result. The Trustee is confident that the processes and controls in place with Aviva are robust and ensure that the Core Financial Transactions are dealt with properly and in a timely manner. The Trustee therefore believes that the requirements for processing Core Financial Transactions promptly and accurately over the Plan year were met.

### **Charges and transaction costs**

The Trustee is required by law to:

- report on the charges and transaction costs for the investments used in the default investment option;
- report on the charges and transaction costs for the self-select funds available in the Plan; and
- assess the extent to which the charges and costs represent good value for members.

## Charges

The total charges (referred to in the following tables as TER – Total Expense Ratio) that applied to the Plan's fund range in the last Plan year are set out in the tables below, split between default arrangements and non-default arrangements (i.e. self-select funds). An explanation of the type of costs included in the TER follows after the tables.

The Trustee can confirm that the default fund remains within the statutory charge cap of 0.75% p.a. of funds under management since April 2015 and Aviva monitors these charges on a quarterly basis to ensure they remain within the cap.

The default arrangement has been set up as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This also means that the level of charges and transaction costs will vary depending on how close members are to their target retirement date and in which fund they are invested.

The charges and transaction costs for the Plan's default arrangements are detailed in the table below.

	<b>Underlying investment fund</b>	<b>Total Expense Ratio (%p.a.)</b>	<b>Transaction Cost (%)</b>
Growth phase	Av MyM Mercer Growth/Balanced Risk	0.46	0.170
Default de-risking phase	Av MyM Mercer Cash Retirement	0.29	0.011
	Av MyM Mercer Target Cash 2021	0.36	0.019
	Av MyM Mercer Target Cash 2022	0.37	0.029
	Av MyM Mercer Target Cash 2023	0.39	0.040
	Av MyM Mercer Target Cash 2024	0.40	0.051
	Av MyM Mercer Target Cash 2025	0.42	0.077
	Av MyM Mercer Target Cash 2026	0.43	0.106
	Av MyM Mercer Target Cash 2027	0.45	0.135
	Av MyM Mercer Target Cash 2028	0.46	0.165

Source: Aviva. Transaction cost and fee information is shown as at 31 March 2020.

In addition to the default arrangement, members also have the option to invest in two other lifestyle arrangements – targeting annuity purchase or drawdown – and in several self-select funds.

The charges and transaction costs for the rest of the Plan's fund range (i.e. non-default arrangements) are detailed in the tables below.

<b>Fund Name</b>	<b>Total Expense Ratio (%p.a.)</b>	<b>Transaction Cost (%)</b>
<b>Target Date Funds</b>		
Av MyM Mercer Annuity Retirement Fund	0.37	0.004
Av MyM Mercer Target Annuity 2021	0.39	0.019
Av MyM Mercer Target Annuity 2022	0.39	0.038
Av MyM Mercer Target Annuity 2023	0.41	0.058
Av MyM Mercer Target Annuity 2024	0.42	0.078
Av MyM Mercer Target Annuity 2025	0.43	0.099
Av MyM Mercer Target Annuity 2026	0.44	0.105

Av MyM Mercer Target Annuity 2027	0.46	0.143
Av MyM Mercer Target Annuity 2028	0.46	0.166
Av MyM Mercer Diversified Retirement	0.48	0.130
Av MyM Mercer Target Drawdown 2021	0.51	0.111
Av MyM Mercer Target Drawdown 2022	0.52	0.127
Av MyM Mercer Target Drawdown 2023	0.52	0.142
Av MyM Mercer Target Drawdown 2024	0.51	0.149
Av MyM Mercer Target Drawdown 2025	0.50	0.154
Av MyM Mercer Target Drawdown 2026	0.49	0.159
Av MyM Mercer Target Drawdown 2027	0.47	0.164
Av MyM Mercer Target Drawdown 2028	0.46	0.165
<b>Equity</b>		
Av MyM BlackRock Aq Connect (50:50) Global Equity Index	0.27	-0.063
Av MyM BlackRock Aq Connect (30:70) Curr Hdgd Glbal Eq Index	0.33	-0.080
Av MyM Legal & General (PMC) Ethical Global Equity Index	0.41	0.004
Av MyM CRISP Active Emerging Markets Equity	1.17	0.450
Av MyM CRISP Active International Equities	0.60	0.056
Av MyM BlackRock Aq Connect UK Equity Index	0.26	-0.121
Av MyM Mercer Passive Shariah	0.56	0.039
<b>Risk Rated Funds</b>		
Av MyM Mercer High Growth/Higher Risk	0.47	0.170
Av MyM Mercer Moderate Growth / Moderate Risk	0.47	0.130
<b>Fixed Income</b>		
Av MyM Mercer Pre-Retirement	0.33	0.002
Av MyM CRISP Active Bond	0.80	0.268
Av MyM Mercer Absolute Return Fixed Income	0.79	0.271
Av MyM BlackRock Aq Connect Over 5 Year Index-Linked Gilt Index	0.26	0.055
<b>Money Market</b>		
Av MyM CRISP Money Market and Cash	0.26	0.011

Source: Aviva. Transaction cost and fee information is shown as at 31 March 2020.

The TERs set out above include the fund managers' estimates of the typical annual expenses for running the fund that might be incurred by the members. These are comprised of the published Annual Management Charge (the fee the manager charges to manage the fund) and additional expenses incurred in managing the fund that are not due to the fund manager, which include, but are not limited to, custodial fees, legal fees and brokerage fees. As a bundled arrangement these TERs will also include a charge from Aviva for administering the Plan.

The TERs do not include transaction costs. Transaction costs are additional costs incurred by fund managers as a result of buying, selling, lending or borrowing investments. These costs are taken into account by the fund managers when calculating the unit price for each of the funds. Transaction costs are shown in a separate column in the tables above. Transaction costs are shown for funds in the Plan to 31 March 2020 (as provided by Aviva, the Plan's platform provider). Some transaction costs are negative, representing a gain for members over the period. This arises where favourable movements during a transaction or at the fund level

offset other costs (such as stockbroker commission) over the period. These gains are not expected to repeat in every year.

No charges and transaction costs are missing.

### **Reporting of costs and charges**

Over a period of time, the charges and transaction costs that are taken out of a member's pension savings can reduce the amount available to the member at retirement. Using the charges and transaction cost data provided by Aviva, the Trustee has prepared illustrations detailing the impact of the costs and charges typically paid by a member of the Plan on their retirement savings pot. The illustrations have been prepared in accordance with the Government's statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes" on the projection of an example member's pension savings.

The below illustrations have taken into account the following elements:

- savings fund size;
- contributions;
- real terms investment return gross of costs and charges;
- adjustment for the effect of costs and charges; and
- time to retirement.

As each member has a different amount of savings within the Plan, and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has had to make a number of assumptions. To ensure that these assumptions are representative of the membership, the Trustee has based the illustrations on the youngest member age of 23, using a starting fund of £11,500, a salary of £24,000 and a total contribution rate of 12%, which is representative of younger members. The Trustee has decided to use this to illustrate the effects of charges over an extended period of participation in the Plan, in line with guidance.

Illustrative examples of the cumulative effect of costs and charges on the value of a member's benefits over time are set out in the table below.

Year	Default Arrangement (Most Popular)		Most Expensive Fund		Cheapest Fund and Greatest Expected Investment Return		Lowest Expected Investment Return	
	Aviva Mercer Target Cash Fund		Av MyM CRISP Active Emerging Markets Equity		Av MyM BlackRock Aquila Connect UK Equity Index		Av MyM CRISP Money Market and Cash	
	Pot Size with no Charges Incurred £	Pot Size with Charges Incurred £	Pot Size with no Charges Incurred £	Pot Size with Charges Incurred £	Pot Size with no Charges Incurred £	Pot Size with Charges Incurred £	Pot Size with no Charges Incurred £	Pot Size with Charges Incurred £
1	14,649	14,568	14,700	14,462	14,700	14,662	14,252	14,213
2	17,937	17,756	18,054	17,521	18,054	17,968	17,048	16,963
3	21,369	21,067	21,565	20,679	21,565	21,421	19,889	19,752
4	24,948	24,505	25,241	23,938	25,241	25,028	22,777	22,580
5	28,682	28,073	29,087	27,302	29,087	28,794	25,714	25,450
10	49,838	48,017	51,099	45,792	51,099	50,204	41,173	40,464
15	75,677	71,870	78,392	67,346	78,392	76,486	58,072	56,729
20	107,025	100,248	111,977	92,397	111,977	108,520	76,629	74,456
25	144,835	133,854	153,034	121,431	153,034	147,330	97,088	93,876
30	190,215	173,497	202,949	155,001	202,949	194,107	119,727	115,253
35	241,141	216,967	263,339	193,734	263,339	250,233	144,856	138,880
40	280,317	250,077	336,096	238,342	336,096	317,310	172,827	165,087
43	298,533	266,009	386,590	268,256	386,590	363,574	191,136	182,203

Notes:

- Projected pension fund values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- The starting fund size is assumed to be £11,500.
- Contributions of 12% are assumed from age 23 to 65 with salary increasing in line with inflation. Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
- Values are estimates and are not guaranteed. The illustrations do not indicate the likely variance and volatility in the possible outcomes for each fund.
- The projected growth rates for each fund are as follows:
  - Mercer Growth Fund (Default Fund): 2.1% p.a. gross expected real return above inflation.
  - CRISP Active Emerging Markets Equity Fund (Most Expensive Fund): 2.5% p.a. gross expected real return above inflation.
  - BlackRock - Passive UK Equity Fund (Cheapest Fund): 2.5% p.a. gross expected real return above inflation.
  - CRISP Money Market and Cash Fund (Lowest Expected Investment Return): -1.0% p.a. gross expected real return relative to inflation.
- The transaction costs included in these illustrations relate to the average of transaction costs incurred over the last two Plan years where available. Transaction cost data was not available for longer periods.

## Value for members assessment

In accordance with legal requirements, the Trustee carries out an annual review of the charges and transaction costs incurred by members in order to assess whether or not the Plan represents good value for members. There is no legal definition of “good value”, so the process of determining good value is a subjective one. The Trustee carries out its assessment, with the help of its external consultants, by looking at the investment management charges that apply to members’ investments compared to market data on alternative investment managers and platform providers.

At the Trustee meeting held on 17 June 2020, the Trustee assessed the charges paid by members based on:

- typical institutional fees for funds of equivalent size;
- Mercer Limited’s (‘Mercer’) Manager Research Ratings, as an assessment of manager skill and potential for future outperformance;
- historical performance of the Plan’s fund options; and
- the TER for each fund option, which (as described above) covers Plan administration charges, fund manager charges and other expenses.

The Trustee concluded that the funds offered to Plan members remained highly rated by their independent consultants and were being offered to members at reasonably competitive fees, relative to alternative funds available to other pension schemes.

In carrying out the assessment, the Trustee also considered the other benefits members receive from the Plan, which include:

- the oversight and governance of the Trustee in ensuring compliance with relevant legislation and monitoring the Plan, including considering any material issues that may impact members;
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards during the Plan year;
- the range of investment options;
- the design of the default arrangement and how this reflects the expected needs of the majority of members; and
- the range and quality of communications and tools available to help members plan for their retirement.

Overall, the Trustee concluded that the charges paid by members continued to represent good value for money. The Trustee will engage with the platform provider and manager in the forthcoming Plan year to discuss the potential to reduce fees further to increase the value that members receive.

The Trustee has also reviewed the transaction costs as part of the value for money for members. A meaningful assessment remains difficult to undertake currently as there is still a lack of an industry standard for comparison. However, based on advice from its appointed investment adviser, the Trustee believes that transaction costs paid by members appear to be reasonable and therefore represent good value for members. The Trustee will continue to work with its advisers to monitor and assess the reasonableness of transaction costs incurred by members.

## Trustee knowledge and understanding

The law requires the Plan's trustee directors to maintain an appropriate level of knowledge and understanding that, together with professional advice available to them, enables them to properly exercise their functions and duties in relation to the effective running of the Plan.

The trustee directors are conversant with, and have a working knowledge of, the current SIP, having reviewed and updated the document in September 2019. The trustee directors also have access to, and a working knowledge of, all relevant Plan documents, including the Trust Deed and Rules, and maintain this working knowledge through regular governance reviews and legal training provided at least on an annual basis.

The trustee directors have an appropriate level of knowledge and understanding of matters such as the law relating to pensions and trusts, and the principles relating to investment of pension scheme assets. This has been achieved on an ongoing basis at trustee meetings during the Plan year through discussion and regular review of governance documents including the risk register, the DC Code of practice, the conflicts of interest policy and the conflicts of interest register, as well as by receiving input and training from the Plan's legal and other advisers (which is set out below in more detail).

For new trustee directors joining the Trustee Board there is a Trustee induction plan in place, which targets completion of the Pensions Regulator's toolkit and a Plan-specific introductory training session, covering items such as current issues and topics, Plan documentation, the risk register and the business plan, within six months of appointment. No new trustee directors were appointed during the Plan year.

The requirements regarding Trustee knowledge and understanding have been met during the course of the Plan year as follows:

- The trustee directors have confirmed that they have sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational pension schemes as well as the laws that govern pensions and trust arrangements.
- The trustee directors regularly review training needs and any gaps in the combined skills of the board. The trustee directors have completed a training plan for the last Plan year and put in place a further plan for the current Plan year. The training plan has been created following a previous assessment by the trustee directors of any gaps in knowledge that needed addressing or refresher training that they considered to be helpful.
- The trustee directors have undertaken ongoing training within their regular meetings to keep abreast of relevant developments. Examples of training undertaken include:
  - An assessment of the Plan's governance against the DC Code at each quarterly trustee meeting to ensure that the Plan is operated in line with the Pensions Regulator's expectations.
  - Presentations by the Plan's advisers on current topics and forthcoming pensions legislation at each quarterly trustee meeting. This has included updates on how people are taking their benefits in retirement, the future of

trusteeship and governance, the Statement of Investment Principles and disclosure requirements and the updated investment Stewardship Code.

- Legal training from the Trustee's legal advisers on 19 March 2020 regarding scheme documentation and statutory requirements to explain the legislative framework applicable to pension arrangements, Trustees' powers and discretions, the law relating to internal controls and sound administration, transfers in and out of the Plan, benefits payable on death and the requirements to operate an Internal Dispute Resolution Procedure.
- Training from the Plan's advisers on 12 December 2019 regarding the tax framework for pension arrangements. This included information on the tax position of occupational pension schemes for contributions, investments and benefit payments.
- Training on alternative investment classes from advisers including Shariah and Property on 11 September 2019. On that same date, the trustee directors also received training about ESG considerations and the requirements to include policies on financially and non-financially material considerations in the Statement of Investment Principles.
- The Trustee will continue with its current training programme over the coming Plan year and will consider additional topics where additional specific training may be warranted.
- The Trustee operates a training log that records all of the training that the trustee directors undertake in relation to their role. Trustee directors Jenny Haines and Anne Morey both hold qualifications from the Pensions Management Institute and complete the Continuing Professional Development requirement annually.
- At the time of writing, six of the trustee directors have completed the Pensions Regulator's Trustee Toolkit and one is expecting to complete it by the end of 2020.

This knowledge and understanding, along with the advice provided by the Plan's advisers, enables the trustee directors to properly fulfil their duties to the Plan.

### **Chair's declaration**

The above statement has been prepared by the Trustee of CRISP.

Signature: *Nigel Palmer*

Name: Nigel Palmer  
Chair on behalf of CRISP Trustees Limited

Date: *24 September 2020*

# Item A – CRISP Statement of Investment Principles

## Compass Retirement Income Savings Plan

### Statement of Investment Principles – September 2019

#### 1. Introduction

The Trustee of the Compass Retirement Income Savings Plan (“CRISP” or the “Plan”) has drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of

- the Pensions Act 1995, as amended by the Pensions Act 2004;
- the Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015; and
- subsequent legislation.

The Statement is intended to affirm the investment principles that govern decisions about the Plan’s investments. The Trustee’s investment responsibilities are governed by the Plan’s Trust Deed and Rules, subject to applicable legislation. If necessary, the Trustee will take appropriate legal advice regarding the interpretation of these. The Trustee notes that, according to the law, the Trustee has ultimate power and responsibility for the Plan’s investment arrangements.

In preparing this Statement the Trustee has consulted a suitably qualified person by obtaining written advice from Mercer Limited (“Mercer”). In addition, consultation has been undertaken with Compass Group PLC (the “Company”) as sponsor of the Plan, acting on behalf of all the participating employers, and will do so whenever the Statement is updated. However, the Trustee’s fiduciary obligation to Plan members will take precedence over the Company’s wishes should these ever conflict.

#### 2. Decision Making Structure

Members of the Plan are able to invest in a range of unit-linked funds through the Trustee’s long-term insurance policy with Aviva Life & Pensions UK Limited (“Aviva”). The Trustee has established the following decision making structure for the Plan:

##### Trustee

- Sets structures and processes for carrying out its role;
- Selects investment structures and their implementation;
- Selects and monitors investment advisers and funds
- Selects and monitors direct investments; and,

- Makes on-going decisions relevant to the principles of the Plan's investment strategy.

**Mercer, the investment adviser**

- Advises on all aspects of the investment of the Plan's assets, including implementation;
- Advises on this Statement;
- Provides relevant required training;
- Advises the Trustee on the suitability of each fund's structure, composition and benchmark; and
- Monitors investment managers.

**Aviva, the bundled services platform provider for the Plan**

- Operates within the terms of this Statement and the written long-term insurance contract with the Trustee;
- Provides access to a platform through which third party funds can be accessed by the Trustee, for the Plan's members; and
- Provides pension administration services for the Plan.

**Mercer Workplace Savings (MWS)**

- Provides advice in selecting the bundled services platform provider;
- Provides on-going governance monitoring services (i.e. on the platform provider); and
- Provides investment governance of the platform provider's fund range.

**3. Investment Objectives and Policy**

The Trustee's objectives for the Plan are as follows:

- To maximise the value of members' assets at retirement.
- To maintain the purchasing power of members' savings.
- To provide protection for members' accumulated assets in the years approaching retirement against sudden (downward) volatility in capital value; and fluctuations in the (implicit and explicit) costs of securing retirement benefits.

The investment choices available under the Plan have been chosen by the Trustee based on its understanding of different member needs. These have been grouped by the following approaches – 'do it for me', 'help me do it' and 'leave me to it'.

The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives. The Trustee also recognises that members have different attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances. The Trustee regards its duty as making available a range of investment options sufficient to enable members to tailor their investment strategy to their own needs, with the aim to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.

The Trustee also recognises that members may not believe themselves qualified to take investment decisions. As such, the Trustee makes available a default investment option. The default investment option places the emphasis on aiming to deliver a good level of real return over members' working lifetimes and also encompasses a switch into asset classes designed to provide some protection against equity market falls in the years approaching the member's selected target retirement age. Further information on the 'do it for me', 'help me do it' and 'leave me to it' approaches are provided in Sections 5, 6 and 7 respectively.

Members determine the balance between the different kinds of investments they hold. This balance will determine the expected return on member's assets and should be related to the member's own risk appetite and tolerances.

Mercer has been selected as the Delegated Investment Manager for the Plan, and is responsible for the day-to-day management of the assets in funds provided by Mercer. The Trustee has also selected a number of externally managed funds to be made available for Plan members, the Trustee is responsible for the management of these funds.

The Trustee regularly monitors and reviews the suitability of the funds provided and from time to time may change the investment options.

#### **4. The Trustee's Policy with Regard to Risk**

The Trustee has considered investment risk from a number of perspectives. The below list is not exhaustive but covers the main risks that the Trustee considers and how they are managed and measured by the Plan as a whole.

Type of Risk	Risk	Description	How is the risk monitored and managed?
Market risk	Inflation risk	The risk that the investment return over members' working lives will not keep pace with inflation and does not, therefore secure an adequate pension.	The Trustee makes available a range of funds, across various asset classes, with the majority expected to keep pace with inflation.
Market risk	Currency risk	The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.	Use of currency hedging in some assets to reduce the

			influence of currency fluctuation in foreign investments.
Market risk	Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	Members are able to set their own investment allocations, in line with their risk tolerances.  Within active funds management of many of these market risks is delegated to the investment manager.
Market risk	Interest rate risk	The risk that unfavourable interest rate movements, particularly in the years just prior to retirement may lead to a reduction in the amount of income that the member's retirement account can secure.	
Market risk	Concentration risk	The risk that an adverse influence on investment values from the poor performance of a small number of individual investments	
Market risk	Equity, property and other price risk	The risk that investment market movements lead to a substantial reduction in the anticipated level of the benefit.	
Environmental, Social and Corporate Governance risk		The risk that environmental, social or corporate governance concerns, including climate change, have a financially material impact on the return of the Plan's assets.	The management of ESG related risks is delegated to investment managers.  See Section 8, below, for the Trustee's responsible investment and corporate governance statement.
Investment Manager risk		The risk that the investment manager underperforms its objectives, fails to carry out operational tasks, does not ensure safe-keeping of assets or breaches agreed guidelines.	The Trustee regularly reviews performance of investment funds.
Liquidity risk		The risk that the Plan's assets cannot be realised at short notice in line with member demand.	The Plan is invested in daily dealt and daily priced pooled funds. Units in the pooled funds in which the Plan invests are believed to readily redeemable.
Pension Conversion risk		The risks that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement.	The Trustee makes available three lifestyle strategies for DC members.  Lifestyle strategies automatically switch member assets into investments whose value is expected to be less volatile relative to how the member wishes to access their pension savings as they approach retirement age.

The Trustee believes that the investment objectives and risks outlined in this Statement are in relation to what the Trustee considers financially material considerations. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the members' age and when they expect to retire.

## 5. Do it for me (the default investment option)

The “Av MyM Mercer Target Cash Path” is the default investment option for the Plan. Typically, a proportion of members will actively choose the default investment option because they feel it is most appropriate for them. However, the vast majority of members do not make an active investment decision and are invested in the default investment option. It is suitable for members that do not feel comfortable making their own investment decisions and who plan to take cash in retirement (i.e. take all of their retirement benefits as cash).

The default investment option aims to generate investment returns, in a risk-controlled manner, which are sufficient to provide a reasonable level of retirement benefits for members, given the level of contributions paid over their lifetime in the Plan.

The objectives of the default investment option, and the ways in which the Trustee seeks to achieve these objectives, are detailed below:

- To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk.

*If the member is more than eight years away from their expected retirement date and has opted for the default investment option, contributions will be invested in the Av MyM Mercer Growth/Balanced Risk Fund. The Av MyM Mercer Growth/Balanced Risk Fund invests in a diversified mix of assets (equities, fixed income securities and non-traditional assets), both active and passive, with the objective of providing an above inflationary return, broadly in line with equities, over the long term with some downside protection and some protection against inflation erosion. The downside risk from an equity market downturn is mitigated through asset diversification away from equities.*

Fund name	Investment Objective	Fund Benchmark/Target	Total Expense Ratio* (% p.a.)
Av MyM Mercer Growth /Balanced Risk	The fund seeks to achieve medium to high levels of capital growth over the long-term with medium to high levels of risk by investing predominantly in a diversified mix of bonds, equities and other asset types.	FTSE GBP 1 Month Eurodeposit Index +4% p.a.	0.48

\*The total expense ratio includes the Annual Management Charge (AMC) and other expenses associated with the running and management of the fund, including administration services. The total expense ratios are stated as at March 2019.

- To provide a strategy that reduces investment risk for members as they approach retirement.

*As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a strategy that seeks to reduce investment risk as the member approaches retirement is appropriate. Moreover, as members approach retirement, the Trustee believes the primary aim should be to provide protection against a mismatch between assets and the expected retirement benefits they will be used to provide.*

*In view of the above, the Trustee considers the level of risk within the default investment option in the context of the variability of returns in absolute terms.*

*Hence, eight years before their target retirement date (or Normal Retirement Date if no target has been specified), members who have opted for the default investment option will have their holdings transferred into a Av MyM Mercer Target Cash Fund based on the expected date of retirement. The Av MyM Mercer Target Cash Funds aim to gradually move investments from high-risk growth-seeking assets to cash-like investments (such as short dated fixed interest securities) that are more suitable for targeting cash in retirement.*

Fund name	Investment Objective	Fund Benchmark/Target	Total Expense Ratio* (% p.a.)
Av MyM Mercer Target Cash 20XY	The fund is aimed at investors looking to retire in 20XY who expect to take all their savings as cash at retirement. The fund seeks to move investors gradually from assets with the potential for medium to high growth/risk (such as a diversified mix of shares and other growth assets) to assets with expected lower growth/risk such as bonds and money market assets.	Composite benchmark which varies over time	0.39 - 0.50

\*The total expense ratio includes the Annual Management Charge (AMC) and other expenses associated with the running and management of the fund, including administration services. The total expense ratios are stated as at March 2019.

- To provide exposure, at retirement, to assets that are broadly appropriate for an individual planning to use their savings in the Plan to take cash in retirement.

*At the start of the year of their expected retirement, members' accumulated savings in the default investment option will be moved to the Av MyM Mercer Cash Retirement Fund. The Av MyM Mercer Cash Retirement Fund aims to provide an element of capital preservation and to broadly "match" cash benefits.*

Fund name	Investment Objective	Fund Benchmark/Target	Total Expense Ratio* (% p.a.)
Av MyM Mercer Cash Retirement	The fund seeks to achieve returns linked to sterling money markets and is aimed at investors who expect to take all their savings as cash at retirement. The fund will hold money market assets that are expected to achieve low growth/risk.	100% Seven Day Sterling LIBID	0.34

\*The total expense ratio includes the Annual Management Charge (AMC) and other expenses associated with the running and management of the fund, including administration services. The total expense ratios are stated as at March 2019.

The Trustee's policies in relation to the default investment option are detailed below:

- The default investment option manages investment risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members. In designing the default investment option, the Trustee has explicitly considered the trade-off between risk and expected returns. In particular, when reviewing the investment strategy of the default investment option, the Trustee considers risk quantitatively in terms of the variability of investment returns and potential retirement outcomes for members. From a qualitative perspective, the Trustee also considers risk in terms of the (mis)alignment of investments with the retirement benefits targeted by the default investment option.
- Assets in the default investment option are invested in the best interests of members and beneficiaries, taking into account the profile of members. In particular, the Trustee considered the profile of the Plan's membership and the likely size of member pension pots at retirement. Based on this understanding of the membership, a default investment option that targets cash in retirement is considered appropriate.
- Members are supported by clear communications regarding the aims of the default investment option and the access to alternative investment approaches. If members wish to, they can opt to choose their own investment strategy or an alternative lifestyle strategy on joining but also at any other future date. Moreover, members do not have to take their retirement benefits in line with those targeted by the default investment option; the target benefits are merely used to determine the investment strategy held pre-retirement.
- Assets in the default investment option are invested in a long-term insurance contract. The assets underlying the insurance contract are invested in daily traded pooled funds which hold highly liquid assets. The pooled funds are commingled investment vehicles which are managed by various underlying fund managers. The selection, retention and realisation of assets within the pooled funds are delegated to the respective

underlying fund managers in line with the mandates of the funds. Likewise, the underlying fund managers have full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments. The Trustee’s full policies on social, environmental or ethical considerations are detailed in Section 8 of this Statement.

- Any investment in derivative instruments (either directly or within the underlying pooled funds) contributes to risk reduction, or efficient portfolio management.

Within the Av MyM Mercer Target Cash Path, units across the underlying pooled funds are bought and sold according to the table below:

Time to Retirement (years)	Av MyM Mercer Growth/Balanced Risk Fund (%)	<b>Av MyM Mercer Target Cash Funds (%)</b>	Av MyM Mercer Cash Retirement Fund (%)
>8	100.00	0.00	0.00
<8, >0	0.00	100.00	0.00
0	0.00	0.00	100.00

The Plan offers alternative lifestyle investment options (known as Av MyM Mercer Target Paths) which target different retirement benefits than that targeted by the default investment option, namely annuity purchase (including an allowance for tax-free cash benefits of 25%) and drawdown. [See Section 6]

In addition, a range of self-select funds are offered to members. [See Section 7]

Taking into account the demographics of the Plan’s membership and the Trustee’s views of how the membership will behave at retirement, the Trustee believes that the current default investment option is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Plan’s demographic, if sooner.

The Trustee undertakes engagement activities, under the advice of the Plan’s investment advisor, with relevant persons (including investment managers and providers) about relevant matters in respect of the default investments in the Plan. There are various areas detailed in this SIP where the Trustees will need to engage – for example under the policy in Section 2 the Trustee will engage with investment managers if their adviser implements a downgrade to their rating of an investment manager. The Trustee will engage with advisers, providers and members regarding ESG considerations as appropriate. In addition to the Trustee’s Policy to risk monitoring and management set out in Section 4, the Trustee has considered the following items to monitor and manage the risk in relation to the default investment option. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members. In particular, when reviewing the investment strategy of the default investment option, the

Trustee considers risk quantitatively in terms of the variability of investment returns and potential retirement outcomes for members. From a qualitative perspective, the Trustee also considers risk in terms of the (mis)alignment of investments with the retirement benefits targeted by the default investment option. The Trustee has considered how to monitor risks from a number of perspectives in the default investment option. The list below is not exhaustive but covers the additional risks that the Trustee considers specifically with regards to the default and how they are managed.

**Market Risks** – The Trustee regularly monitors the performance of the growth phase. The strategy for the default option is set with the intention of diversifying the market risks to reach a level of risk deemed appropriate. Within active funds, management of many of the market risks is delegated to the investment managers.

**Pension Conversion Risk** – The default option is a lifestyle strategy which automatically switches member assets into investments whose value is expected to be less volatile relative to the growth phase approaching retirement age and is appropriate for members taking a cash lump sum at retirement. The Trustee regularly reviews the default investment strategy to ensure the destination remains appropriate.

## 6. Help me do it

The options in this category are aimed at members who wish to make a choice in where they invest, particularly in the lead up to retirement, but need help in choosing. The Trustee has chosen a simplified range of lifestyle arrangements, known as Av MyM Mercer Target Paths, (including the default investment option detailed in Section 5) to assist members with their investment and retirement objectives.

In addition to the Av MyM Mercer Target Cash Path, which is the default investment option, the Trustee has made available alternative Av MyM Mercer Target Paths; the Av MyM Mercer Target Annuity Path targets annuity purchase at retirement and the Av MyM Mercer Target Drawdown Path targets drawdown at retirement.

The growth phase for all three Av MyM Mercer Target Paths will be the same (the Av MyM Mercer Growth/Balanced Risk Fund), whereas different Av MyM Mercer Target Retirement Funds will be used within each path to achieve risk reduction as members approach retirement.

At retirement, members' investments in a Av MyM Mercer Target Path will be moved to a suitable fund – the Av MyM Mercer Annuity Retirement Fund for those targeting annuity purchase, or the Av MyM Mercer Diversified Retirement Fund (75%) and Av MyM Mercer Cash (25%) for members wishing to pursue drawdown at retirement (and take their 25% tax free cash).

Fund name	Investment Objective	Fund Benchmark/Target	Total Expense Ratio* (% p.a.)
Av MyM Mercer Target Annuity 20XY	The fund is aimed at investors looking to retire in 20XY who expect to purchase a fixed annuity at retirement. The fund seeks to move investors gradually from assets with the potential for medium to high growth/risk (such as a diversified mix of shares and other growth assets) to assets with expected lower growth/risk (such as bonds and money market assets).	Composite benchmark which varies over time	0.41-0.51
Av MyM Mercer Annuity Retirement	The fund seeks to achieve returns linked to the bond and money markets and is aimed at investors who expect to purchase a fixed annuity and take cash at retirement. The fund will hold bond and money market assets that are expected to achieve lower growth/risk.	13.5% FTSE UK Level Annuity Index Single Life - Early Retirement 27.75% FTSE UK Level Annuity Index Single Life - Standard Retirement 33.75% FTSE UK Level Annuity Index Joint Life - Early Retirement 25% 7 Day LIBID Index	0.37
Av MyM Mercer Target Drawdown 20XY	The fund is aimed at investors looking to retire in 20XY who expect to remain invested through retirement and take income drawdown. The fund seeks to move investors gradually from assets with the potential for medium to high growth/risk (such as a diversified mix of shares and other growth assets) to assets with expected low to medium growth/risk (such as bonds, money market and some growth assets).	Composite benchmark which varies over time	0.49 - 0.60
Av MyM Mercer Drawdown Diversified Retirement	The fund seeks to achieve expected returns linked to medium growth/risk portfolio of assets and is aimed at investors who expect to remain invested through retirement and take income drawdown. The fund will hold a mix of bond, money market and some growth assets that are expected to achieve medium growth/risk.	100% Citigroup 1 Month GBP Deposit Index	0.48

Fund name	Investment Objective	Fund Benchmark/Target	Total Expense Ratio* (% p.a.)
Av MyM Mercer Cash Retirement	The fund seeks to achieve returns linked to sterling money markets. The fund will hold money market assets that are expected to achieve low growth/risk.	100% Seven Day Sterling LIBID	0.34

\*The total expense ratio includes the Annual Management Charge (AMC) and other expenses associated with the running and management of the fund, including administration services. The total expense ratios are stated as at March 2019.

## 7. Leave me to it

The 'Self-select' funds are for members who are confident in making investment choices and want to tailor their investments to suit their own characteristics. In addition to the investment options under 'do it for me' and 'help me do it', members have complete freedom to select and build their own portfolio from a range of funds.

Higher Risk Fund name	Investment Characteristics	Fund Benchmark/Target	Total Expense Ratio* (% p.a.)
Av MyM CRISP Active Emerging Markets equity	The fund seeks to achieve returns consistent with a diversified portfolio of mainly quoted global emerging markets equities across all economic sectors and industries.	MSCI Emerging Markets (NRD) Index Target to outperform by 2% p.a.	1.17

Medium to Higher Risk Fund name	Investment Characteristics	Fund Benchmark/Target	Total Expense Ratio* (% p.a.)
Av MyM Mercer High Growth/ Higher Risk	The fund seeks to achieve high levels of capital growth over the long-term, but with higher levels of risk by investing predominantly in equities.	FTSE GBP 1 Month Eurodeposit Index +4.5% p.a.	0.48
Av MyM CRISP Active International Equities	The fund seeks to achieve returns consistent with equities of companies worldwide, excluding the UK.	MSCI AC World ex UK	0.60
Av MyM BlackRock (30:70) Currency Hedged Global Equity	30% UK equities 60% overseas equities split between North America, Europe (ex-UK) and Asia Pacific with developed	30% FTSE All-Share Index 60% FTSE Developed (ex-UK) Index 10% MSCI Emerging Markets Index	0.33

<b>Medium to Higher Risk Fund name</b>	<b>Investment Characteristics</b>	<b>Fund Benchmark/Target</b>	<b>Total Expense Ratio* (% p.a.)</b>
	overseas currency exposure hedged back to sterling 10% emerging markets equities		
Av MyM BlackRock (50:50) Global Equity Index	50% UK equities 50% overseas equities split equally between the US, Europe ex UK and the Far East	50% FTSE All-Share Index 16.67% FTSE USA Index 16.67% FTSE Developed Europe (ex-UK) Index 8.33% FTSE Japan Index 8.33% FTSE Developed Asia Pacific (ex-Japan) Index	0.27
Av MyM Legal & General (PMC) Ethical Global Equity Index Fund	Invests in worldwide shares within the FTSE4 Good Global Equity Index	FTSE 4 Good Global Equity Index	0.41
Av MyM BlackRock UK Equity Index	This fund invests in the shares of UK companies and aims to achieve a return that is in line with the benchmark.	FTSE All-Share Index	0.26

<b>Medium Risk Fund name</b>	<b>Investment Characteristics</b>	<b>Fund Benchmark/Target</b>	<b>Total Expense Ratio* (% p.a.)</b>
Av MyM Mercer Growth /Balanced Risk <i>This fund is the growth component in the default investment option.</i>	The fund seeks to achieve medium to high levels of capital growth over the long-term with medium to high levels of risk by investing predominantly in a diversified mix of bonds, equities and other asset types.	FTSE GBP 1 Month Eurodeposit Index +4% p.a.	0.48

<b>Lower to Medium Risk Fund name</b>	<b>Investment Characteristics</b>	<b>Fund Benchmark/Target</b>	<b>Total Expense Ratio* (% p.a.)</b>
Av MyM BlackRock Over 5 Year Index-Linked Gilt Index	UK Government index-linked securities that have a maturity period of 5 years or longer	FTSE A Over 5 Year Index-Linked Gilts Index	0.26
Av MyM CRISP Active Bond	The fund aims to achieve a positive total return by investing in one or more actively-managed underlying fund(s) that invests mainly in global	100% Citigroup GBP 1 Month Euro Deposit Index	0.80

<b>Lower to Medium Risk Fund name</b>	<b>Investment Characteristics</b>	<b>Fund Benchmark/Target</b>	<b>Total Expense Ratio* (% p.a.)</b>
	corporate and government bonds.		
Av MyM Mercer Moderate Growth/ Moderate Risk	The fund seeks to achieve medium levels of capital growth over the long-term with medium levels of risk by investing predominantly in a diversified mix of bonds, equities and other asset types.	FTSE GBP 1 Month Eurodeposit Index +3% p.a.	0.48
Av MyM Mercer Pre-Retirement Fund	The fund aims to provide diversified exposure to assets that reflect the investments underlying a typical traditional level annuity product	Composite of gilts and corporate bond funds	0.33
<b>Lower Risk Fund name</b>	<b>Investment Characteristics</b>	<b>Fund Benchmark/Target</b>	<b>Total Expense Ratio* (% p.a.)</b>
Av MyM CRISP Money Market and Cash	High quality short-term money market instruments, issued by both UK and non-UK issuers but denominated in sterling	7 Day Sterling LIBID	0.26

\*The total expense ratio includes the Annual Management Charge (AMC) and other expenses associated with the running and management of the fund. The total expense ratios are stated as at March 2019.

## 8. Responsible Investment and Corporate Governance

The Trustee believes that Environmental, Social, and corporate Governance (“ESG”) factors have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly require explicit consideration.

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes of investment managers accessed through a long term insurance contract on the Aviva platform. Monitoring is undertaken on a regular basis by the Trustee and MWS as part of the delegated relationship in place.

Given the funds are managed by investment managers through a delegated relationship via MWS, the Trustee expects that investment managers with oversight from the delegated relationship, take into account ESG, climate change and stewardship considerations alongside other investment

responsibilities and will exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustee believes that the investment managers have the necessary expertise and frameworks in place to effectively manage and monitor investments in line with the above areas. This does not mean that all investment managers will have the same principles with regard to ESG and climate change, as these will specifically relate to the mandate of the investment fund which they are managing.

The Trustee keeps the topic of corporate governance and responsible investment under periodic review and will review this policy regularly to ensure that the policy is applicable, appropriate and in line with expectations of the majority of the membership. These policies relating to responsible investment and corporate governance are applicable to both the default investment option and all other arrangements within the Scheme including the self-select range.

Non-financial matters refer to the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impacts of investments and the future quality of life of members.

The Trustee will seek member views on ESG where necessary to inform their approach on an ongoing basis in the selection, retention and realisation of investments. The Trustee does not have a specific policy with regard to the regularity that it will seek member views. The Trustee notes that some members may wish to invest in a fund which pays particular regard to ethical considerations in deciding in which companies to invest. Hence, the Trustee has made available an "Ethical Fund" to members, namely the Av MyM Legal & General (PMC) Ethical Global Equity Index Fund.

#### **9. Additional Voluntary Contributions ("AVCs")**

Members have the option to invest AVCs in the same funds as above.

#### **10. Compass Higher Income Plan ("CHIP")**

Members have the option to invest CHIP in the same funds as above.

#### **11. Day-to-Day Management of the Assets**

The fund range offered to members of the Plan is accessed through MWS on the platform provided by Aviva. The Trustee access the platform via a long-term insurance contract with Aviva. Funds on the platform are managed by third parties (e.g. external investment management firms) and not by Aviva.

The Trustee recognises that it is not possible to specify investment restrictions where assets are managed via pooled funds and furthermore, that

it is Aviva that has the direct relationship with the third parties offering the funds (and not the Trustee).

The Pensions Act 1995 (and subsequent legislation) distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The policy of the Trustee is to review its direct investments and to obtain written advice about them at regular intervals. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund managers.

The written advice will consider the issues set out in the Occupational Pension Plan (Investment) Regulations 2005 and the principles contained in this Statement. The advisor will have knowledge and experience required under section 36(6) of the Pensions Act 1995.

Day-to-day management of the underlying assets is delegated to professional investment managers who are all authorised or regulated. The Trustee expects these underlying investment managers to manage the assets delegated to them under the terms of their contracts.

The underlying investment managers have full discretion to buy and sell investments within the underlying funds (subject to agreed constraints and applicable legislation). The underlying investment managers have appointed custodians for the safe custody of assets held within the underlying funds. The custodians are responsible for the safekeeping of the assets held and for performing various administrative duties, such as the collection of interest and dividends and dealing with corporate actions.

## **12. Realisation of Investments**

The underlying investment managers have responsibility for the realisation and trading of the underlying assets. However, the day-to-day activities of the underlying investment managers are governed by the arrangements between the Investment Managers and Aviva. All funds available are daily priced and trade daily.

## **13. Review of this Statement**

The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy or Plan demographics. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

## Item B – Service Level Agreements for Core Financial Transactions

The table below details the information regarding agreed service level agreements for the processing of Core Financial Transactions.

<b>Core Financial Transaction</b>	<b>Key Internal Control Promptness</b>
Contribution processing	Subject to the completion of the longest delayed dealing cycle, Aviva shall process regular contributions and allocate to member policies within two business days of receipt of the validated contribution schedule and reconciled payment.
Member Investment Transactions	Aviva shall action investment transaction (switches, redirections and single contributions where appropriate) requests from Members or Trustees within three business days from the date of receipt of complete instructions.
Processing Payments out	<p>Subject to the completion of the longest delayed dealing cycle, Aviva shall process payments out within five business days of receipt of the completed payment authority form and all required documentation from the authorised party.</p> <p>In respect of payments to Members on retirement, the period of five business days referred to in this SLA shall commence from the normal retirement age of the retiring Member.</p>
Transfer in processing	Subject to the completion of the longest delayed dealing cycle, Aviva shall issue confirmation to Members or Trustee Clients that transferred assets have been allocated as at the date of receipt of both payment and complete documentation within five business days of receipt.