

## 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 2022 to 5 April 2023.

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, covering five key areas:

1. The investment strategy relating to the Plan's default arrangement and additional default arrangements;
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 arrangement

The Plan is not used by its sponsoring employer as a Qualifying Scheme for auto-enrolment purposes. Members who join the Plan and do not choose an investment option are placed into the default 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 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 included the latest copy of the Statement of Investment Principles ('SIP') prepared for the Plan's default arrangement, which was signed on behalf of the Trustee on 11 April 2022. The Trustee has included the SIP in this statement as item A at the end of this statement.

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's "default arrangement") 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 arrangement was concluded on 10 December 2020 and considered performance, the design of the growth and de-risking phases and the suitability of the default target including consideration of wider market trends on how people are taking their retirement benefits. 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.
- Targeting cash at retirement as the default arrangement 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.

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 arrangement is scheduled to take place in the fourth quarter of 2023.

### **Additional default arrangements**

In addition to the main default arrangement, the Plan has also identified a number of the funds into which members' funds have previously been directed without the members having instructed the Trustee. These 'additional default arrangements' arose due to the closure of the Av MyM BlackRock (50:50) Global Equity Index Fund in June 2020, when the assets held in that fund were transferred to a number of alternative funds in the Plan's self-select fund range.

The funds identified as being additional default arrangements are:

- Av MyM Mercer Growth Fund
- Av MyM Mercer Target Cash 2024 - 2031 Funds
- Av MyM Mercer Cash Retirement Fund
- Av MyM Mercer Passive Global Equity Fund

Prior to mapping members' investments across to these replacement funds, the Trustee took appropriate investment advice, considered the demographics of the affected members, and concluded that these funds were suitable for the members and that the transfers were likely to be in their best interests. The Total Expense Ratio (TER) (which is the annual cost associated with managing and operating a fund) for all these funds is below the statutory charge cap requirement of 0.75% p.a. that applies to all default arrangements.

The Trustee will review the ongoing suitability of these additional default arrangements at least every three years. The December 2020 review of the Plan's default investment option captured three of these funds and a further review of all of the funds is scheduled for the fourth quarter of 2023.

## **Self-select fund range**

In addition to the default arrangement and additional default arrangements, the Trustee also considers the ongoing suitability of the Plan's self-select fund range. The Trustee considers trends in the DC market and advice from its advisers when making decisions regarding the range. The last formal review of the self-select fund range was concluded on 10 December 2020. The Trustee reviewed the role of each of the funds offered by the Plan and considered whether the addition of any new fund options might be appropriate.

As a result of this review, the Trustee introduced a new Sustainable Global Equity fund to the self-select fund range on 11 March 2022. This fund is passively managed and invests in global equities and related securities that, as far as possible, align with a sustainable global equity EU Paris-Aligned index.

In addition to the regular formal reviews, the Trustee reviews the performance of the default arrangement, additional default arrangements 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, during the Plan year, the 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. However, the Trustee, after taking advice from its investment adviser during the last Plan year, has taken action to replace the underlying fund of the CRISP Active Emerging Markets Fund as a result of concerns regarding the performance of this fund relative to its benchmark target, as well as high fees. The new underlying fund was introduced, and the fund name changed to the CRISP Passive Emerging Markets Equity Fund, on 1 March 2023.

The Trustee continues 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 measured are included in item B at the back of this statement. 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.
- In addition to these formal meetings, the Compass in-house pensions team, on behalf of the Trustee, holds monthly meetings with Aviva. These meetings review the administration service being provided, agree member communication processes and progress additional projects and any ad-hoc issues that arise throughout the year.
- 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 potentially 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 check that contributions deducted from members and due from the Company have been correctly paid to the Plan, within appropriate timescales.

During the last Plan year there have been no material administration service issues, although administration workload has increased significantly since 2020, which has occasionally resulted in increased turnaround times for some member requests. Over the course of 2022 and into 2023, Aviva has introduced additional administration resources in response to the increased level of demand. Performance against Aviva’s SLAs was 98.8% for the Plan year.

Where minor issues or errors have been identified, remedial action has been taken quickly, 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 arrangement and in the additional default arrangements;
- 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 the default arrangement, additional 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 arrangement and the additional default arrangements remain within the statutory charge cap of 0.75% p.a. of funds under management since April 2015 and the Plan’s investment advisers and Aviva monitor 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 funds they are invested.

The charges and transaction costs for the Plan’s default arrangement are detailed 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	0.38%	0.15%
Default de-risking phase	Av MyM Mercer Cash Retirement	0.26%	0.02%
	Av MyM Mercer Target Cash 2024	0.28%	0.03%
	Av MyM Mercer Target Cash 2025	0.29%	0.04%
	Av MyM Mercer Target Cash 2026	0.31%	0.05%
	Av MyM Mercer Target Cash 2027	0.32%	0.12%
	Av MyM Mercer Target Cash 2028	0.34%	0.16%
	Av MyM Mercer Target Cash 2029	0.35%	0.17%
	Av MyM Mercer Target Cash 2030	0.37%	0.18%
	Av MyM Mercer Target Cash 2031	0.38%	0.16%

Source: Aviva, fee information is shown as at 31 March 2023. Transaction costs shown are those applicable for the 12 months to 31 December 2022 unless otherwise stated.

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. the 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	0.29%	0.00%
Av MyM Mercer Target Annuity 2024	0.31%	0.02%
Av MyM Mercer Target Annuity 2025	0.31%	0.04%
Av MyM Mercer Target Annuity 2026	0.33%	0.06%
Av MyM Mercer Target Annuity 2027	0.34%	0.08%
Av MyM Mercer Target Annuity 2028	0.35%	0.10%
Av MyM Mercer Target Annuity 2029	0.36%	0.12%
Av MyM Mercer Target Annuity 2030	0.38%	0.14%
Av MyM Mercer Target Annuity 2031	0.38%	0.16%
Av MyM Mercer Diversified Retirement	0.42%	0.13%
Av MyM Mercer Target Drawdown 2024	0.42%	0.10%
Av MyM Mercer Target Drawdown 2025	0.43%	0.11%
Av MyM Mercer Target Drawdown 2026	0.44%	0.13%
Av MyM Mercer Target Drawdown 2027	0.43%	0.13%
Av MyM Mercer Target Drawdown 2028	0.41%	0.14%
Av MyM Mercer Target Drawdown 2029	0.40%	0.15%
Av MyM Mercer Target Drawdown 2030	0.39%	0.15%
Av MyM Mercer Target Drawdown 2031	0.38%	0.16%
<b>Equity</b>		
Av MyM BlackRock Aq Connect (30:70) Curr Hdgd Gblal Eq Index	0.30%	0.00%
Av MyM Legal & General (PMC) Ethical Global Equity Index	0.36%	0.00%
Av MyM CRISP Active International Equities	0.53%	0.00%
Av MyM BlackRock Aq Connect UK Equity Index	0.23%	0.11%
Av MyM Mercer Passive Shariah	0.51%	-0.02%
Av MyM Mercer Passive Global Equity	0.24%	0.02%
Av MyM Mercer Passive Sustainable Global Equity	0.29%	0.10%
Av MyM CRISP Passive Emerging Markets Equity*	0.35%	0.90%
<b>Risk Rated Funds</b>		
Av MyM Mercer High Growth/Higher Risk	0.45%	0.12%
Av MyM Mercer Moderate Growth/Moderate Risk	0.45%	0.12%
<b>Fixed Income</b>		
Av MyM Mercer Pre-Retirement	0.28%	0.00%
Av MyM CRISP Active Bond	0.66%	0.16%
Av MyM BlackRock Aq Connect Over 5 Year Index-Linked Gilt Index	0.21%	-0.05%
<b>Money Market</b>		
Av MyM CRISP Money Market and Cash	0.21%	0.01%

Source: Aviva, fee information is shown as at 31 March 2023. Transaction costs shown are those applicable for the 12 months to 31 December 2022.

\*Transaction costs are shown for the old underlying fund vehicle (Av MyM Mercer Active Emerging Markets Equity) as the strategy and name change only occurred in March 2023.

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. The transaction costs relate to the transaction costs incurred over the twelve months to 31 December 2022. 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 commissions, over the period. These gains are not expected to repeat in every year.

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

Over 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 illustrations set out below 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 22, using a starting fund of £0, a salary of £25,000 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 tables below.

Year	Default arrangement (Most Popular)		Most Expensive Fund		Cheapest Fund	
	Av MyM Mercer Target Cash Path		Av MyM CRISP Active Bond		Av MyM BlackRock Aq Connect Over 5 Year Index-Linked Glt Idx	
	Assumed growth rate 4.5%		Assumed growth rate 3.75%		Assumed growth rate 3%	
	Assumed costs and charges 0.48%		Assumed costs and charges 0.66%		Assumed costs and charges 0.21%	
	Fund Size with no Charges Incurred	Fund Size with Charges Incurred	Fund Size with no Charges Incurred	Fund Size with Charges Incurred	Fund Size with no Charges Incurred	Fund Size with Charges Incurred
1	£3,010	£3,010	£2,990	£2,970	£2,970	£2,970
2	£6,120	£6,090	£6,010	£5,950	£5,960	£5,950
3	£9,320	£9,240	£9,070	£8,950	£8,970	£8,940
4	£12,600	£12,500	£12,200	£12,000	£12,000	£11,900
5	£16,000	£15,800	£15,300	£15,000	£15,000	£14,900
10	£34,600	£33,600	£31,600	£30,200	£30,400	£30,100
15	£56,200	£53,800	£45,700	£48,800	£46,200	£45,400
20	£81,200	£76,600	£67,200	£61,500	£62,300	£61,000
25	£110,000	£102,000	£86,700	£77,500	£78,900	£76,800
30	£144,000	£131,000	£107,000	£93,900	£92,800	£95,800
35	£183,000	£164,000	£129,000	£110,000	£109,000	£113,000
40	£229,000	£202,000	£153,000	£127,000	£126,000	£131,000
43	£252,000	£220,000	£167,000	£138,000	£142,000	£136,000

Year	Additional Default Funds							
	Mercer Growth / Balanced Risk S5		Mercer Cash Retirement S5		Mercer Passive Global Equity		Av MyM CRISP Passive Emerging Markets Equity	
	Assumed growth rate 5.6%		Assumed growth rate 2.5%		Assumed growth rate 6.5%		Assumed growth rate 6.5%	
	Assumed costs and charges 0.53%		Assumed costs and charges 0.27%		Assumed costs and charges 0.25%		Assumed costs and charges 0.35%	
	Fund Size with no Charges Incurred	Fund Size with Charges Incurred	Fund Size with no Charges Incurred	Fund Size with Charges Incurred	Fund Size with no Charges Incurred	Fund Size with Charges Incurred	Fund Size with no Charges Incurred	Fund Size with Charges Incurred
1	£3,010	£3,010	£2,970	£2,960	£3,030	£3,020	£3,030	£3,010
2	£6,120	£6,090	£5,930	£5,920	£6,180	£6,160	£6,180	£6,120
3	£9,320	£9,240	£8,860	£8,900	£9,450	£9,410	£9,450	£9,310
4	£12,600	£12,500	£11,800	£11,900	£12,800	£12,800	£12,800	£12,600
5	£16,000	£15,800	£14,800	£14,700	£16,400	£16,300	£16,400	£16,000
10	£34,600	£33,600	£29,700	£29,300	£36,200	£35,700	£36,200	£34,500
15	£56,200	£53,800	£44,500	£43,600	£60,200	£59,000	£60,200	£55,900
20	£81,200	£76,600	£59,300	£57,700	£89,300	£86,800	£89,300	£80,600
25	£110,000	£102,000	£74,200	£71,700	£124,000	£120,000	£124,000	£109,000
30	£144,000	£131,000	£89,000	£85,400	£167,000	£160,000	£167,000	£142,000
35	£183,000	£164,000	£104,000	£99,000	£219,000	£207,000	£219,000	£181,000
40	£229,000	£202,000	£119,000	£112,000	£281,000	£264,000	£281,000	£225,000
43	£259,000	£226,000	£128,000	£120,000	£325,000	£304,000	£325,000	£255,000



**Notes:**

1. Projected pension fund values are shown in today’s terms, and do not need to be reduced further for the effect of future inflation.
2. The starting fund size is assumed to be £0.
3. Annual contributions of 12% of salary, increasing in line with inflation, from age 23 to 65 are assumed. 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.
4. Values are estimates and are not guaranteed. The illustrations do not indicate the likely variance and volatility in the possible outcomes for each fund.
5. All values are shown to three significant figures.

**Net investment returns**

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 introduced requirements on the Trustee to calculate and publish the net return on investments for the Plan’s default arrangement and additional default arrangements and for those self-select investment options in which members have invested, after taking account of transaction costs and charges.

The table below provides the net investment return disclosures as at 31 March 2023, showing the investment performance of the Plan’s default arrangements, additional default arrangements and alternative self-select investment options, after adjustment for all charges and transaction costs referred under ‘Charges and transaction costs’ earlier in this statement. The Trustee has taken account of the statutory guidance when preparing these disclosures.

Default arrangement - Cash Lifestyle	Annualised returns to 31 March 2023 (%)	
	1 year	5 years
Age of member at start of period		
25	-3.7	5.2
45	-3.7	5.2
55	-3.7	3.9

Target retirement funds (Used in Lifestyles targeting Drawdown and Annuity)	Annualised returns to 31 March 2023 (%)	
	1 year	5 years
Av MyM Mercer Growth/Balanced Risk	-3.7	5.2
Av MyM Mercer Annuity Retirement Fund	-15.1	-2.4
Av MyM Mercer Target Annuity 2024	-14.9	-0.2
Av MyM Mercer Target Annuity 2025	-14.6	0.3
Av MyM Mercer Target Annuity 2026	-13.4	1.0
Av MyM Mercer Target Annuity 2027	-11.3	*
Av MyM Mercer Target Annuity 2028	-9.2	*
Av MyM Mercer Target Annuity 2029	-7.1	*
Av MyM Mercer Target Annuity 2030	-5.0	*
Av MyM Mercer Target Annuity 2031	*	*
Av MyM Mercer Target Drawdown 2024	-3.1	4.3

Av MyM Mercer Target Drawdown 2025	-3.5	4.4
Av MyM Mercer Target Drawdown 2026	-3.7	4.6
Av MyM Mercer Target Drawdown 2027	-3.7	*
Av MyM Mercer Target Drawdown 2028	-3.7	*
Av MyM Mercer Target Drawdown 2029	-3.8	*
Av MyM Mercer Target Drawdown 2030	-3.8	*
Av MyM Mercer Target Drawdown 2031	*	*

\*These funds do not have a sufficient performance track record as at 31 March 2023

Self-select fund	Annualised returns to 31 March 2023 (%)	
	1 year	5 years
CRISP Active Bond	-0.9	0.8
CRISP Active International Equities	-7.4	8.6
CRISP Passive Sustainable Global Equity <sup>(a)</sup>	-1.4	-
CRISP Passive Emerging Markets Equity <sup>(b)</sup>	-6.9	-0.1
CRISP Money Market and Cash	2.1	0.6
BlackRock - Passive UK Equity	1.4	4.8
BlackRock - Passive Global Equity (30:70) (GBP Hedged)	-5.1	6.6
LGIM - Ethical Global Equity	-2.0	11.7
BlackRock - Passive Index-Linked Gilts	-28.4	-4.1
Mercer Passive Global Equity <sup>(a)</sup>	-1.0	-
Mercer Passive Shariah	-3.3	14.5
Mercer Pre-Retirement Fund	-20.4	-3.4
Mercer Moderate Growth / Moderate Risk	-4.4	4.2
Mercer Growth / Balanced Risk	-3.7	5.1
Mercer High Growth / Higher Risk	-3.4	5.5

Source: Aviva and Mercer

Performance shown net of all charges and transaction costs. Performance of standalone self-select options is independent of age, therefore performance is shown in a different format to the lifestyle performance in the default arrangement and additional default arrangements tables.

Negative performance figures means that the value of the underlying assets in which the fund invests have fallen in value over the period shown.

<sup>(a)</sup> Five-year performance for this fund is not yet available as the fund has not been included in the fund range for 5 years.

<sup>(b)</sup> Performance is shown for the old fund vehicle (Av MyM CRISP Active Emerging Markets Equity) as the changed only occurred in March 2023.

### 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 15 June 2023, 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 under 'Charges and transaction costs') 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.

Over the Plan year, the Trustee secured a 0.03% discount from the platform provider on all of the Plan's funds, following negotiations borne out of the findings of the previous year's value for members assessment. In addition, the Trustee received a further 0.03% discount from Mercer, as a result of the Plan's total asset value achieving a previously agreed threshold, in respect of the Mercer Growth Fund and Target Retirement Funds used in the Plan's lifestyle strategies. Both of these discounts were implemented on 1 November 2022.

The Trustee has also reviewed the transaction costs as part of the value for money for members. At this time, a meaningful assessment is difficult to undertake due to the lack of an industry standard for comparison, but 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.

Overall, the Trustee concluded that the charges paid by members continue to represent good value for money. The Trustee will continue to monitor the costs being paid by members on a regular basis, with formal reviews being carried out at least annually.

### **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, all relevant Plan documents and current policies, including the Trust Deed and Rules.

The Trustee directors also have an appropriate level of knowledge and understanding of the law relating to pensions and trusts, and the relevant principles relating to investment of occupational pension scheme assets. The Trustee directors maintain their working knowledge of the relevant Plan documents and pensions law through regular training and legal updates at quarterly Trustee meetings.

The Trustee directors reassess their training needs on an annual basis to identify knowledge gaps by completing a training needs analysis based on the training areas covered by The Pensions Regulator's Trustee Toolkit. From the responses to the training needs analysis completed in May 2022, a training plan was developed for the Plan year which reflected not only their feedback but also suggestions from the Plan's advisers. The training plan is adapted during the year to ensure that the Trustee directors are trained in any legal developments in pensions. The training plan for the next Plan year will be updated once the newly appointed Trustee directors have completed the Pensions Regulator's Trustee Toolkit, to aid the planning for upcoming sessions.

The Trustee directors receive formal training from the Plan's advisers at Trustee meetings on specific agenda items. Examples of training undertaken at meetings over the Plan year include:

- Trustee meeting on 15 June 2022 – training on the new stronger nudge requirements and the actions expected of Trustee directors in this regard.

At the June 2022 Trustee meeting, the Trustee directors also undertook a Responsible Investment Total Evaluation (RITE) assessment, which reviews how well the Plan is integrating ESG considerations into its overall investment decision making. The Plan's overall score came out as an 'A', which reflects the positive decisions and actions made with respect to ESG issues, for example the addition of the Passive Sustainable Global Equity Fund. A number of potential interventions to attain a higher score will be considered by the Trustee over 2023. Further RITE assessments will be undertaken annually.

- Trustee meeting on 21 September 2022 – training on climate change, why it is important that the Trustee directors take action on climate risk and why embedding environmental, social and governance (ESG) factors into their investment strategy is a valuable tool for effective risk management.
- Trustee meeting on 15 December 2022 – training on the cost of living crisis and the potential risks and issues affecting pension schemes, including the actions that the Trustee directors could take to mitigate their impact.

The Trustee directors also receive presentations by the Trustee's advisers at each quarterly Trustee meeting on current topics and forthcoming pension legislation. These have included updates on Sharia compliant pension arrangements, updated guidance and requirements for implementation statements and changes made to statutory money purchase illustration assumptions.

In addition, during the Plan year, the Trustee directors, with their legal and other advisers:

- Completed the production of a consolidated working copy of the Rules, bringing together a number of historical amendments into a single, simplified document.
- Reviewed their policy on the payment of partial transfers out.

- Updated their policy in respect of the new transfer out regulations that came into force in November 2021.
- Undertook ongoing reviews of the Plan against the Pensions Regulator’s General Code of Practice, ahead of the final code being published, which is expected in Autumn 2023.
- Received legal training on statutory requirements to nudge retiring members to Pension Wise.
- Received training on Pensions Dashboards requirements, including all in scope schemes to be connected by 2026.
- Received investment training on taking action on climate change risk.
- Reviewed the potential impact of the Cost of Living Crisis on Plan members.
- Received training on cyber security and protection of member data.
- Received legal training on upcoming pension legislation changes, including proposed changes to the Value for Money framework.

The Trustee operates a training log that records all of the training that the Trustee directors undertake in relation to their role. Two of the Trustee directors, Jenny Haines and Anne Morey, both hold qualifications from the Pensions Management Institute and annually meet the Continued Professional Development requirement.

For new Trustee directors joining the Trustee Board there is a Trustee Induction Plan in place, which targets completion of the Pensions Regulators’ toolkit and a Plan-specific introductory training session, covering items such as Plan documentation, the risk register and the annual business plan and current issues and topics, within six months of appointment. No new Trustee directors joined the Trustee Board during the Plan year, but one new company nominated and two new member nominated Trustee directors were appointed with effect from 6 April 2023. All three are currently working through the Trustee Toolkit. All of the existing Trustee directors have completed the Trustee Toolkit.

Taking account of all of the above actions, the Trustee directors consider that they are properly enabled to fulfil their duties as a Trustee board with a good working knowledge of the Plan’s Trust Deed and Rules, current policies and pensions and trust law, and investment principles. All the scheme documents are also available to the Trustee directors in an easily accessible online database.

### **Chair’s declaration**

This Statement regarding DC governance was approved by the Board of the Trustee on 21 September 2023 and signed on its behalf by:

*Nigel Palmer*

Nigel Palmer, Chairman

## **Item A – CRISP Statement of Investment Principles (March 2022)**

### **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:

#### **The 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 year 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 to members and is directly responsible for the governance and monitoring 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 in the Plan as a whole.

Type of Risk	Risk	Description	How is the risk monitored and managed?
Market risks	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.
	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 risks	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.
	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.	
	Concentration risk	The risk that an adverse influence on investment values from the poor performance of a small number of individual investments	
	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	The Trustee regularly reviews performance of investment funds.



Type of Risk	Risk	Description	How is the risk monitored and managed?
		objectives, fails to carry out operational tasks, does not ensure safe-keeping of assets or breaches agreed guidelines.	
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 be 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.

<b>Fund name</b>	<b>Investment Objective</b>	<b>Fund Benchmark/Target</b>	<b>Total Expense Ratio* (% p.a.)</b>
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.	0.44

\*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 31 March 2021.

- 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.

<b>Fund name</b>	<b>Investment Objective</b>	<b>Fund Benchmark/Target</b>	<b>Total Expense Ratio* (% p.a.)</b>
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	0.34 - 0.44

\*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 31 March 2021.

- 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.*

<b>Fund name</b>	<b>Investment Objective</b>	<b>Fund Benchmark/Target</b>	<b>Total Expense Ratio* (% p.a.)</b>
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	0.32

\*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 31 March 2021.

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 just 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:

<b>Time to Retirement (years)</b>	<b>Av MyM Mercer Growth/Balanced Risk Fund (%)</b>	<b>Av MyM Mercer Target Cash Funds (%)</b>	<b>Av MyM Mercer Cash Retirement Fund (%)</b>
>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.

**Additional default arrangements**

In accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Plan has identified the investment options listed in the table below as ‘default arrangements’ (as defined by these regulations) in addition to the current default investment option in which new entrants to the Plan are directed.

These funds have been identified as ‘additional default arrangements’, as members’ accrued funds and contributions have been automatically directed to these funds without members having instructed the Trustee. These funds are not default arrangements for the purposes of auto-enrolment; they are only defaults due to historic investment option changes, in this case the closure of the Av MyM BlackRock (50:50) Global Equity Index Fund. Further information is provided in the table below.

<b>Replacement Fund</b>	<b>Previous Fund</b>	<b>Reason for identification as a ‘default arrangement’</b>	<b>Date</b>

Av MyM Mercer Growth Fund	Av MyM BlackRock (50:50) Global Equity Index Fund	This default was created when funds were mapped following the closure of the Av MyM BlackRock (50:50) Global Equity Index Fund for those members already invested in the Av MyM Mercer Growth Fund.	June 2020
Av MyM Mercer Target Cash 20XY	Av MyM BlackRock (50:50) Global Equity Index Fund	This default was created when funds were mapped following the closure of the Av MyM BlackRock (50:50) Global Equity Index Fund for those members already invested in the relevant target date fund.	June 2020
Av MyM Mercer Cash Retirement	Av MyM BlackRock (50:50) Global Equity Index Fund	This default was created when funds were mapped following the closure of the Av MyM BlackRock (50:50) Global Equity Index Fund for those members already invested in the Av MyM Mercer Cash Retirement Fund	June 2020
Av MyM Mercer Passive Global Equity	Av MyM BlackRock (50:50) Global Equity Index Fund	This default was created when funds were mapped following the closure of the Av MyM BlackRock (50:50) Global Equity Index Fund for those members who had only self-select funds.	June 2020

Prior to mapping members' investments across to the replacement funds, the Trustee took appropriate investment advice and considered these funds to be suitable for members and that the transfers would be in their best interests. The Trustee also took account of the demographics of the members invested in the funds. The Total Expense Ratios ('TERs'), which is the cost associated with the managing and operating these funds, are below the statutory charge cap requirement of 0.75% p.a. that applies to all default investment options.

In the case of mapping activity to those funds that comprise the default investment option the "Av MyM Mercer Target Cash Path", the Trustee's aims and policies in relation to these arrangements are set out in Section 5.

The Trustee's aims and policies in relation to the additional default arrangements are detailed below:

- Assets in the additional default arrangements are ultimately invested in daily traded pooled funds, which hold highly liquid assets. The pooled funds are commingled investment vehicles, which are managed by investment managers appointed by MWS. The selection, retention and realisation of assets within the pooled funds are delegated to the respective investment managers in line with the mandates of the funds. Likewise, the investment managers adhere full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical conditions are taken into account in the selection, retention and realisation of investments.
- Risks associated with these investments have been considered in line with the Trustee's Policy with Regard to Risk [Section 4].
- The Trustee reviews the default investment option (and will review the additional default arrangements) at least every three years and without delay after any significant change in the investment policy or the demographic profile of relevant members.
- The Trustee monitors the performance of the default investment option and additional default arrangements quarterly via monitoring reports and advice from its appointed Investment Consultant, which includes considering the

investment performance net of management fees and whether the Trustee’s aims and objectives have been met.

**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 Retirement Fund (25%) for members wishing to pursue drawdown at retirement (and take their 25% tax free cash).

**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.

<b>Higher Risk Fund name</b>	<b>Investment Characteristics</b>	<b>Fund Benchmark/Target</b>	<b>Total Expense Ratio* (% p.a.)</b>
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.	1.12
<b>Medium to Higher Risk Fund name</b>	<b>Investment Characteristics</b>	<b>Fund Benchmark/Target</b>	<b>Total Expense Ratio* (% p.a.)</b>
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.	0.45

<b>Medium to Higher Risk Fund name</b>	<b>Investment Characteristics</b>	<b>Fund Benchmark/Target</b>	<b>Total Expense Ratio* (% p.a.)</b>
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	0.56
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 overseas currency exposure hedged back to sterling 10% emerging markets equities	30% FTSE All-Share Index 60% FTSE Developed (ex-UK) Index 10% MSCI Emerging Markets Index	0.32
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	0.39
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	0.25
Av MyM Mercer Passive Global Equity	The funds invests in global equity securities that as far as possible reflect the component global equity securities of the MSCI World (Net Dividends Reinvested) Index.	MSCI World (NDR) Index	0.27
Av MyM Mercer Passive Shariah	The fund aims to offer investors the opportunity to grow their money in line with the performance of the Dow Jones Islamic Titans 100 Index.	Dow Jones Islamic Titans 100 Index	0.54
Av MyM CRISP Passive Sustainable Global Equity	The fund is a passively managed fund, which aims to seek income and long term growth of capital by investing predominantly in global equity and equity related securities that as far as possible and practicable reflect the component equity securities of the Solactive Sustainable Global Developed Equity EU Paris-Aligned Index.	MSCI World Index	0.30
<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	The fund seeks to achieve medium to high levels of capital growth over the long-term with medium to	FTSE GBP 1 Month Eurodeposit Index +4% p.a.	0.44

<i>This fund is the growth component in the default investment option.</i>	high levels of risk by investing predominantly in a diversified mix of bonds, equities and other asset types.
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<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	0.24
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 corporate and government bonds.	100% Citigroup GBP 1 Month Euro Deposit Index	0.68
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.	0.45
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	0.31

<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	0.24

\*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 31 March 2021.

## 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 supports the principle of good corporate governance and shareholder activism and, for relevant mandates, prefers its asset managers to have an explicit



strategy, outlining the circumstances in which they will engage with a company or issuer of debt on relevant matters. These can include performance, strategy, capital structure, management of actual or potential conflicts of interest and another stakeholder, risks, social and environmental impact and corporate governance matters, along with how they will measure the effectiveness of this strategy.

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. The Trustee notes that due to the structure of the long term insurance contract, Aviva ultimately hold the direct relationship with managers. The Trustee also notes that they invest in pooled vehicles and as such they may have more limited ability to impact the overall strategy of the managers.

Monitoring is undertaken on a regular basis by the Trustee and MWS for those funds managed under delegated relationship with MWS and by the Trustee for other non-delegated funds.

The Trustee expects that individual investment managers and those with additional oversight from the delegated relationship where applicable, 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.

### **Implementation and Engagement**

The Trustee believes that an understanding of, and engagement with, asset managers' arrangements is required to ensure they are aligned with Trustee's policy, including its Sustainable Investment policy. It is the Trustee's policy to ensure that the following are understood and monitored:

- How asset manager arrangements incentivise asset managers to align their strategy and decisions with the Trustee's policies

Underlying investment managers are appointed by the Trustee in the case of non-delegated funds and by MWS for delegated funds, based on their capabilities and their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. The underlying investment managers are made aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee or MWS (where applicable) is dissatisfied, then they will look to replace the manager. If the investment objective for a particular manager's fund changes, the Trustee and MWS (where applicable) will review the fund appointment to ensure it remains consistent with the Trustee's wider investment objectives and policies.

- How asset manager arrangements incentivise asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

The Trustee considers the investment consultant's assessment of how each underlying investment manager embeds ESG into its investment process. This includes the underlying investment managers' policy on voting and engagement. The Trustee will seek to use this assessment in decisions around selection, retention and realisation of

manager appointments. The Trustee expects voting and engagement activity to be used by investment managers to discuss the performance of an issuer of debt or equity. The Trustee and MWS (for the applicable funds) will monitoring activity undertaken by managers and challenge decisions made including voting history and engagement activity of the underlying investment managers with issuers of debt or equity securities held where necessary. This is to try to ensure the best performance of assets over the medium to long term. If the Trustee and MWS (where applicable) is not satisfied with the answers provided by the manager or progress made in this regard they may seek to review the appointment of the investment manager.

- How the method (and time horizon) of the evaluation of asset managers' performance and their remuneration are in line with the Trustee's policies

While the Trustee's focus is on long-term performance, it also considers shorter-term performance. If an underlying manager is not meeting its performance objectives, or their investment objectives for a fund have changed, the Trustee may review the suitability of the manager and will change managers where required. Where funds are delegated, MWS will review and monitor this on behalf of the Trustee.

- Portfolio turnover costs incurred by the asset managers, in the context of the asset manager's targeted portfolio turnover (defined as the frequency within which the assets are expected to be bought or sold)

The Trustee considers portfolio turnover costs indirectly through consideration of transaction cost data as part of the annual Value for Members assessment. Though the Trustee does not currently define target portfolio turnover ranges for funds, they will engage with managers if the portfolio turnover and associated costs are higher than expected. Where funds are delegated, MWS will work with their underlying investment managers to set acceptable turnover ranges and help to monitor this on behalf of the Trustee.

The Trustee receives performance reports on a quarterly basis, which present performance information over three months and one, three and five years, and since inception for each fund option. The Trustee reviews the absolute performance, relative performance against a suitable benchmark index and against the underlying manager's stated target performance on a net of fees basis.

- Duration of the arrangement with the asset manager

All funds are open-ended with no set end date for the arrangement. The Fund Range and Default Strategies are reviewed on at least a triennial basis. An underlying manager appointment may be terminated if it is no longer considered to be optimal nor have a place in the default investment option or general fund range. These decisions will be made by MWS for all delegated funds.

### **Consideration of non-financial matters**

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 funds that have a particular focus on sustainable investing and ESG considerations in deciding in which companies to invest. Hence, the Trustee has made available a dedicated sustainable global equity fund option; the Av MyM CRISP Passive Sustainable Global Equity Fund, and an "Ethical" Fund option; the Av MyM Legal & General (PMC) Ethical Global Equity Index Fund) as self-select options.

In addition, the Trustee also wishes to ensure that members are able to invest their savings in accordance with the requirements of Shariah law and the principles of Islam, by making available a Shariah-compliant investment option; the Av MyM Mercer Passive Shariah Fund, as a self-select fund option.

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 has access to 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).

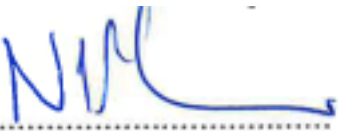
The underlying investment managers have appointed custodians for the safe custody of assets held within the underlying funds. The custodians are responsible for the safekeeping of the assets held and for performing various administrative duties, such as the collection of interest and dividends and dealing 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**

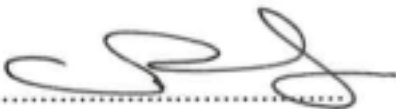
The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy or Plan demographics. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably 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.



Signed on behalf of the Trustee



Date



Signed on behalf of the Company



Date

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

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

Core Financial Transaction	Key Internal Control
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.