

Chair's DC Governance Statement, covering the 18 month period ended 5 October 2020

1. Introduction

Governance requirements apply to defined contribution ("DC") pension arrangements, to help members achieve a good outcome from their pension savings. The Trustee of the discoverIE Group plc Pension Scheme (the "Scheme") is required to produce a statement (which is signed by the Chair of the Trustee Board) to describe how these governance requirements have been met in relation to:

- the investment options in which members can invest (this means the default arrangement and other funds members can select or have assets in, such as "legacy" funds);
- the requirements for processing financial transactions;
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- a 'value for members' assessment; and
- Trustee knowledge and understanding.

2. Default arrangements

Until 30 September 2019, the Scheme was used as a Qualifying Scheme for automatic enrolment purposes. During December 2019 the majority of the Scheme's DC assets were transferred out of the Scheme into a WorkSave Pension Plan and a WorkSave Buyout Plan with Legal & General Assurance Society Limited ("L&G"). Following this transfer, the Scheme ceased being a Qualifying Scheme for automatic enrolment purposes.

Prior to the transfer on 16 December 2019 members who joined the Scheme and who did not choose an investment option were placed into the Scheme's 'Moderate Flexible Lifestyle Strategy' (the "Default"). The Trustee recognised that most members do not make active investment decisions and instead invest in the Default. After taking advice, the Trustee decided to make the Default a 'lifestyle' strategy, which means that members' assets were automatically moved between different investment funds as they approached their target retirement date. All member assets were transferred out of the Default during the transfer in December 2019. Following this transfer, the Scheme ceased being a Qualifying Scheme for automatic enrolment purposes, which means that it no longer maintains a default investment option.

Details of the objectives and the Trustee's policies regarding the Default, which was in place up to 16 December 2019 can be found in a document called the 'Statement of Investment Principles' ("SIP"). The Scheme's last SIP that contained details on the Default is attached to this Statement in Appendix A.

The aim and objective of the Default, as stated in the SIP, was to generate returns above inflation whilst Scheme members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement.

In the 15 years prior to members' retirement, the Default switched gradually out of the Baillie Gifford Managed Fund allocation into less risky assets, including diversified growth funds, diversified bonds and cash. This had the aim of generating positive returns as members approached retirement, but with much less volatility than equities. The Trustee believed that a well-diversified exposure to different asset classes (with a significant amount of growth assets) would allow members' pots to continue to grow, whilst at the same time reducing the potential impact from market falls shortly before their retirement.

The Trustee is responsible for investment governance, which included setting and monitoring the investment strategy for the Default.

discoverIE Group plc Pension Scheme DC Governance Report

The Default was last reviewed in September 2019 and as there is no longer a Default in place, there will be no further reviews.

The performance and strategy of the Default were reviewed to ensure that investment returns (after deduction of any charges) were consistent with the aims and objectives of the Default as stated in the SIP, and to check it continued to be suitable and appropriate, given the Scheme's risk profiles and membership.

In addition to the strategy review, prior to the transfer to L&G, the Trustee also reviewed the performance of the Default against its aims, objectives and policies on a half-yearly basis. This review included an analysis of fund performance to check that the risk and return levels met expectations. The Trustee's review that took place during the Scheme period concluded that the Default had performed broadly as expected.

3. Requirements for processing core financial transactions

Core financial transactions include (but are not limited to): the investment of contributions, processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme, and payments to members/beneficiaries.

Up until 16 December 2019, when the majority of the Scheme's DC assets were transferred into the WorkSave Pension Plan and WorkSave Buyout Plan with L&G, the processing of core financial transactions was carried out by the previous administrator of the Scheme, Capita.

The Trustee has received assurance from Capita that there are adequate internal controls to ensure that core financial transactions for the Scheme are processed promptly and accurately.

The Scheme has a service level agreement ("SLA") in place with Capita which covers the accuracy and timeliness of all core financial transactions. In addition to core financial transactions the SLA also covers a number of other actions, such as:

- The time taken to issue retirement benefit options and benefit statements to members;
- Correspondence times to beneficiaries in the event of death in service, retirement or leaving the Scheme; and
- Liaising and responding to DWP and HRMC queries.

The key processes adopted by Capita to help it meet the SLA are as follows:

- It applies a three-stage process to making any payment, which include a 'doer' and a 'checker'. The first stage is for the Administration Team to issue an instruction to make a payment. The second stage is for the Accounts Team to arrange for the payment to be cleared for release. The final stage is for an authorised senior member of staff, or two in relation to cheques, to release the payment;
- On a biennial basis, Capita's procedures are audited externally and an AAF 01/06 is produced. This is a report which confirms that Capita has followed its procedures correctly and highlights any areas of weakness; and
- All of the administration and cash handling activities are subject to scrutiny of the Scheme's auditors, when the accounts for the Scheme are prepared.

To help the Trustee monitor whether service levels are being met, the Trustee receives quarterly administration stewardship reports and additional monthly reports. This reporting includes activity reports, which allows the Trustee to verify whether specified transactions (e.g. retirement and transfer quotations) are accurately performed within the agreed target turnaround performance standards for different activities specified under the SLA. Any issues identified by the Trustee as part of its review processes would be raised with Capita immediately, and steps taken to resolve any issues.

Based on its review processes, the Trustee is satisfied that during the period covered by this Statement:

- Capita was operating appropriate procedures, checks and controls;

discoverIE Group plc Pension Scheme DC Governance Report

- There have been no administration issues in relation to processing core financial transactions Scheme assets; and
- All core financial transactions were processed promptly and accurately.

4. Member-borne charges and transaction costs

The Trustee is required to set out the on-going charges incurred by Scheme members over the period covered by this Statement, which are annual fund management charges (AMCs) plus additional fund expenses, such as custody costs, but excluding transaction costs. This is also known as the total expense ratio (TER), which is paid by the members and reflected in the unit price of the funds.

The stated charges for the assets previously invested excludes Capita's administration costs since these were not met by the members.

The Trustee is also required to separately disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within investment funds but exclude any costs incurred when members invest in and switch between funds. These transaction costs are borne by members.

When preparing this section of the Statement, the Trustee has taken account of statutory guidance. Due to the way in which transaction costs have been calculated, it is possible for figures to be negative; since transaction costs are unlikely to be negative over the long term the Trustee has shown any negative figure as zero. Details of charges and transaction costs are detailed in Appendix B.

Default arrangement

The Default strategy, which was in place until 16 December 2019, had been designed to automatically and progressively de-risk members' portfolios as they approached retirement. It had been set up as a lifestyle approach, which means that Scheme members' assets were automatically moved between different investment funds as they approached their retirement date. This means that the level of charges and transaction costs varied depending on how close members were to retirement and in which fund they were invested.

Members were predominantly invested in Baillie Gifford Funds until 16 December 2019, Appendix B contains details on the charges and transaction cost information up until 5 April 2019. The Trustee consider this appropriate on the basis that all member pots were transferred to L&G on 16 December 2019 and that both fund managers (Baillie Gifford and LGIM) confirmed no change in AMCs or transaction costs during the period 6 April to 16 December 2019.

Self-select options

In addition to the Default strategy, Scheme members also had the option to invest in the following lifestyle strategies:

- Moderate Annuity
- Moderate Lump Sum
- Cautious Annuity
- Adventurous Flexible

As with the Default, these strategies ceased to be available after the transfer on 16 December 2019. The range of annual charges from the start of the Scheme period to this date are set out in Appendix B.

Illustration of charges and transaction costs

Appendix C sets out illustrations of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing these illustrations, the Trustee has had regard to the statutory guidance.

5. Value for members assessment

The Trustee is required to assess the extent to which member-borne charges and transaction costs represent good value for members. There is no legal definition of 'good value', which means that determining this is subjective. The general policy of the Trustee in relation to value for member considerations is set out below.

The Trustees' review all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money, given the circumstances of the Scheme. The Trustee notes that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment.

Prior to the transfer on 16 December 2019 on a half-yearly basis the Trustee reviewed the performance (after all charges) of the Scheme's investment funds, which were the vast majority of Scheme assets were invested, in the context of their investment objectives. From the start of the Scheme period to the final review (as at 30 September 2019), the Default delivered positive returns at all stages, following strong equity market performance. Over the long term, the returns of the Default were consistent with its stated objective.

The returns on the other available investment funds were generally consistent with their stated objectives over the period from the start of the period to 30 September 2019.

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

- the oversight and governance provided by the Trustee, including ensuring that the Scheme is compliant with relevant legislation, as well as holding regular meetings to monitor the Scheme and address any material issues that may impact members;
- the range of investment options and strategies;
- the quality of communication delivered to members;
- the quality of support services; and
- the efficiency of administration processes and the extent to which Capita met or exceed its SLA.

The Trustee believes that the transaction costs provide value for members, as the ability to transact forms an integral part of the investment approaches, which the Trustee expects to lead to greater investment returns, net of fees, over time.

Overall, the Trustee believes that members of the Scheme are receiving good value for money. The Trustee believes this because:

discoverIE Group plc Pension Scheme DC Governance Report

- The Scheme is well governed by the Trustee. There have been prompt responses to previous legislative and associated governance changes, such as taking the charge cap into consideration. Regular Trustee meetings are held to discuss Scheme issues, with the benefit of professional input from the Scheme's appointed advisers;
- Members have access to a range of self-select funds, covering an appropriate range of asset classes;
- As detailed in the earlier section covering the processing of core financial transactions, the Trustee is comfortable with the efficiency of the administration processes; and
- Members can access fund information online, such as fund factsheets. Furthermore, members are sent communications relating to changes to the Scheme.

As discussed in Section 2, all Scheme members' pots have been transferred into either L&G's WorkSave Pension Plan and/or its WorkSave Buyout Plan. The Trustee was involved in the selection process to determine L&G's suitability as the receiving provider for Scheme assets, with the aim of selecting a provider that offered contracts that would offer an arrangement that provides members good value for money and an improved overall member experience. The transfer was completed in December 2019, following the Trustee receiving appropriate advice from its professional advisers.

The transfer of the Plan's assets to L&G has meant that the Trustee has taken a proportionate approach to reviewing value for members this year. In particular, whilst no formal value for members assessment for the Plan was carried out over the period covered by this Statement, the Trustee ongoing value for members formed an important part of their due diligence on whether or not it was in members' best interests to transfer existing Plan assets to L&G without member consent. This has involved regularly reviewing the performance of the Plan's investment fund range (after all charges) in the context of their investment objectives, fund charges, the quality of administration processes and other improvements such as the range of retirement options offered to members and the online tools available via the L&G portal.

As part of the Trustee's consideration of value for members, the Trustee is comfortable that:

- the oversight and governance of the Trustee, including ensuring the Scheme is compliant with relevant legislation and regular meetings are being held to monitor the Scheme and address any material issues that may impact members;
- the design of the default arrangements and how this reflects the interests of the membership as a whole;
- the range of investment options and strategies;
- the returns on the investment funds members could choose during the period covered by this statement have been consistent with their stated investment objectives;
- charges are competitive for the type of funds available to members, which has been confirmed by the Trustee's investment adviser;
- the quality of communications delivered to members;
- the quality of support services such as the dedicated in-house Pensions Department and Scheme website where members can access fund information online; and
- as detailed in the earlier section covering processing of financial transactions, the Trustee is comfortable with the quality and efficiency of the administration processes.
- The Trustee believes the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches, and we expect this to lead to greater investment returns net of fees over time.

Overall, the Trustee believes that members of the Scheme are receiving good value for money for the charges and costs they incur.

6. Trustee knowledge and understanding

The Scheme's Trustee Directors are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. The Trustee has measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

discoverIE Group plc Pension Scheme DC Governance Report

The Trustee, with the help of its advisers, regularly considers training requirements to identify any knowledge gaps. The Trustee's investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustee's advisers typically delivered training on such matters at Trustee meetings if they were material. During the period covered by this Statement, the Trustee received formal training at each of the three Trustee meetings held during the period. The Trustee also received quarterly updates on topical pension issues from its pension advisers. Furthermore, the Trustee Directors attended various seminars and webinar discussions on various topics, including Responsible Investing; ESG; Stewardship and Data Management, throughout the period to further enhance their investment and pensions related knowledge. In general, these were attended by one of the Trustee Directors so that relevant information could later be shared to the wider group of Trustee Directors.

All the Trustee Directors are familiar with and have access to copies of the Scheme's governing documentation and documentation setting out the Trustee's policies, including the Trust Deed & Rules and SIP (which sets out the policies on investment matters). In particular, the Trustee refers to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme, and the SIP is formally reviewed annually and as part of making any change to the Scheme's investments. Further, the Trustee Board believes it has sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil its duties.

All the Trustee Directors are required to commit to completing training, either at the relevant meetings or by personal study. All of the Trustee Directors have completed the Pensions Regulator's Trustee Toolkit (an online learning programme, which is designed to help trustees of occupational pension schemes meet the minimum level of knowledge and understanding required by law). Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration during the Scheme period.

A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date. Additionally, the Scheme has in place a structured induction process for new trustees.

Considering the knowledge and experience of the Trustee Directors and the specialist advice they received (both in writing and whilst attending meetings) from the appointed professional advisers (e.g. investment consultants, legal advisers), the Trustee believes it is well placed to exercise its functions as Trustee of the Scheme properly and effectively.

Date: 4th May 2021

Signed by the Chair of the Trustee of the discoverIE Group plc Pension Scheme.

Appendix A: Statement of Investment Principles

Introduction

Legislative Requirements

The Trustees of the discoverIE Group plc Pension Scheme (the “Scheme”) have drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005.

The Statement is intended to affirm the investment principles that govern decisions about the Scheme’s investments. In preparing this Statement the Trustees have consulted discoverIE Management Services Limited (the “Principal Employer”) on the Trustees’ investment principles.

This Statement comes into force commencing September 2019 and supersedes all previous versions.

Scheme name change and Constitution

The Scheme is a Defined Contribution scheme which commenced on 1 September 1987. On 9 April 2018, the Scheme name was changed from the Acal Group Employee Pension Scheme to the discoverIE Group plc Pension Scheme.

Under the deed(s) governing the Scheme the Trustees are granted the power to take all decisions regarding the investments held for the purposes of the Scheme. The Trustees policies regarding delegation are set out in the next section.

Governance (Decision Making)

The Trustees of the Scheme make all major strategic decisions including, but not limited to, the Scheme’s asset allocation and the appointment and termination of investment managers. The process for making investment decisions is as follows:

- Identify appropriate investment objectives
- Agree the level of risk consistent with meeting the objectives
- Implement an investment strategy and investment manager structure in line with the level of risk and objectives agreed

When making such decisions, and when appropriate, the Trustees take proper written advice. The Trustees’ investment consultants, Capita Employee Solutions, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience.

Investment Objectives

The Trustees recognise that their ultimate objective is to best ensure that members of the Scheme are able to retire on a reasonable level of benefits taking into account the contributions paid into their individual accounts and the timescale over which those contributions were paid. To this end, the Trustees have in

discoverIE Group plc Pension Scheme DC Governance Report

place investment options that they believe will achieve appropriate returns consistent with the level of risk chosen by the member.

Investment Mandates

The Trustees use fund managers, Baillie Gifford and Legal & General Investment Management (“LGIM”), (the “Investment Managers”) to manage the Defined Contribution assets of the Scheme. The Investment Managers are regulated under the Financial Services and Markets Act 2000. All decisions about the day-to-day management of the assets have been delegated to the Investment Managers via a written agreement, including the realisation of investments. As the assets are invested in pooled fund vehicles the investment restrictions applying to these funds are determined by the fund managers.

Investment Strategy

The Trustees offer a sufficient fund range to satisfy the risk and return combinations reasonable for most members.

To this end, the Trustees have in place a range of investment options that they believe will allow members to strike appropriate balances between long term needs for capital growth and shorter term volatility of returns, especially in the period approaching retirement.

The Trustees have designated a Default Lifestyle Strategy (see Appendix) for members who do not wish to make their own investment choices. A lifestyle investment strategy is an automated switching facility allowing members to pre-select an investment strategy, which will move their accrued funds into lower risk investments as retirement approaches.

The Default Lifestyle Strategy is used as the default option to which a member’s and the Employer’s contributions are applied. The default is used in the event that a member fails to positively make an investment decision and is also used for members who are auto-enrolled into the Scheme.

The Default Lifestyle Strategy is the Moderate Flexible Lifestyle Strategy. As further detailed in the Appendix, this strategy is made up of Baillie Gifford funds; the Managed Fund, the Multi Asset Growth Fund and the Multi Asset Pre-Retirement Fund. The Cash Fund is managed by LGIM. Two other versions of the Moderate strategy are made available (as detailed in the Appendix) for members not targeting continued investment at retirement, including Moderate Annuity Strategy and Moderate Lump sum Strategy, aimed respectively at those wishing to purchase an annuity or to cash in their pension savings at retirement.

In addition to the Moderate Strategies, a higher risk version of the default, namely the Adventurous Flexible Strategy is made available by removing the Multi Asset Growth Fund from the growth phase.

A Cautious Annuity Strategy, which invests in less risky funds during the growth phase, is also made available.

Communication with members is important, in order to help members make the right selection through their lives and in particular when they approach the de-risking phase and retirement.

Risk Management and Measurement

The Trustees are aware of, and pay close attention to, a range of risks inherent for members in investing the assets of the Scheme. The Trustees believe that the investment options offered to members provide adequate choice and diversification both within and across different asset classes.

- The Trustees recognise the risks that may arise from the lack of diversification of investments. Due to the size of the Scheme's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles.
- The documents governing the Investment Managers' appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme.
- The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled vehicles.
- The Trustees recognise that whilst the use of active management involves a risk that the assets do not achieve the expected return, they believe it is appropriate for this Scheme.

Should there be a material change in the Scheme's (or members') circumstances, the Trustees will review whether the current risk profile remains appropriate.

Financially material considerations over the Scheme's time horizon

The Trustees have considered how ESG factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the (Plan) and its members. The Trustees expect their investment managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustees seek to appoint managers that have appropriate skills and processes to do this, and from time to time review how their managers are taking account of these issues in practice. The Trustees have limited influence over managers' investment practices where assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate. In light of the proposals from the Principal Employer to transition from a Trust based scheme to a Group Personal Pension Plan, the Principal Employer will continue to engage with the new provider to ensure ESG considerations are an integral part of investment strategy.

The Trustees have elected to invest predominantly in pooled funds with two Investment Managers. The Trustees are therefore limited in their ability to directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which they invest (particularly where assets are managed passively). However, the Trustees continue to seek to explore and understand how the appointed managers embrace ESG considerations and meet with the Investment Managers on a regular basis as part of their ongoing approach to the governance of the Scheme's investments. The Trustees also note that the Investment Managers are signatories of the UN Principles of Responsible Investment.

discoverIE Group plc Pension Scheme DC Governance Report

The Trustees believe that stewardship is important, through the exercising of rights (including voting rights) attaching to investments. The Trustees are keen that their Investment Managers can explain when, and by what practical methods, the manager monitors and engages with relevant persons about relevant ESG matters. As part of this, the Trustees will review and consider details of voting behaviour (including the most significant votes cast on the Trustees' behalf).

Non-financial matters, including members' views are not taken into account explicitly.

Monitoring of Investment Manager

The Trustees will monitor the performance of the Investment Managers against agreed performance objectives and will consider regularly whether they are satisfied that the Investment Managers have the appropriate knowledge and experience and are carrying out the work competently and are complying with the given benchmarks.

In the event that the Trustees are not satisfied with the Investment Managers they will, where appropriate, require the Investment Managers to take requisite steps to correct this position or will take advice with a view to removing the Investment Managers and appointing other managers.

The Trustees will ensure that fees charged by the Investment Managers and Capita are in line with industry standards and will monitor these on a regular basis.

The Investment Managers will notify the Trustees in advance of any new investment categories in which they are proposing to invest.

Additional Voluntary Contributions (“AVCs”)

The members are able to pay AVCs into the Scheme's selected range of Baillie Gifford funds. The AVC arrangements are reviewed from time to time to ensure that the investment performance achieved is acceptable and that the investment profile of the funds remains consistent with the objectives of the Trustees and needs of the members.

Compliance with Myners Principles

The Trustees believe that they comply with the spirit of the Myners' Principles. There may be some instances of deviation from the published 'Best Practice Guidance' on the Principles where the Trustees believe this to be justified.

Employer-Related Investments

The Trustees' policy is not to hold any employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

Fee Structures

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The Investment Managers are paid a management fee on the basis of assets under management. The investment consultant is paid on a project basis, which may be a fixed fee or based on time cost, as negotiated by the Trustees in the interests of obtaining best value for the Scheme.

Review of this Statement

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

Date: 30th September 2019

Signed by the Trustees of the discoverIE Group plc Pension Scheme

Appendix – DC Investment Arrangements

Default Lifestyle Strategy

A summary of the Default Lifestyle Strategy is as follows:

	Growth Phase	Consolidation Phase
Primary Objective	To maximise returns over the long term at an acceptable level of risk.	To manage conversion risk by progressively switching from growth phase into pre-retirement and cash assets.
Purpose	To manage returns at an acceptable level of risk. To reduce the effects of potential severe economic shocks.	To transition the assets from the pre-lifestyle investment programme and to reduce the probability of severe losses close to retirement.
Funds	Baillie Gifford Managed Fund Baillie Gifford Diversified Growth Fund (DGF) Baillie Gifford Active Gilt Plus Fund Baillie Gifford Active Long Gilt Plus Fund Baillie Gifford Investment Grade Bond Fund LGIM Cash Fund	
Lifestyling	The Default Lifestyle arrangement has been designed to automatically and progressively de-risk members' portfolios as the members approach retirement	

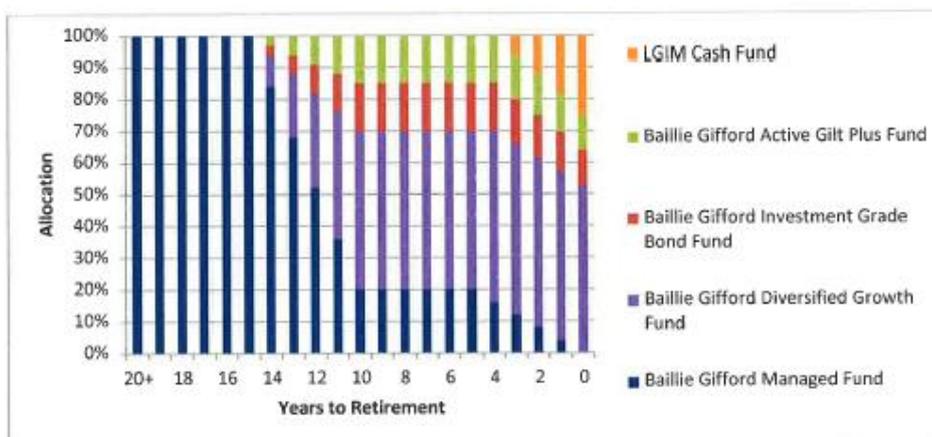
Further details of the funds are shown in the table overleaf.

DC Governance Statement

Asset class	Fund Name	Benchmark / Sector	Performance Target
Multi Asset / Mixed	Baillie Gifford Managed Fund	Sector: ABI UK Mixed Investment 40%-85%	No explicit performance target. Prior to 31 July 2016, the fund's aim was to outperform by 1-1.5% p.a. the BNY Mellon CAPS Balanced Pooled Fund Median over rolling 3 year periods.
Multi Asset / Mixed	Baillie Gifford Diversified Growth Fund (DGF)	Sector: ABI Specialist	The return target is 3.5% p.a. ahead of UK base rates (after deduction of costs) over rolling five year periods. It aims to deliver this return whilst limiting volatility to less than 10% p.a. over rolling 5 year periods.
Government Bonds	Baillie Gifford Active Gilt Investment Fund	FTSE UK Conventional Gilts All Stocks Index	To produce a total return, after deduction of costs, in excess of the total return of the benchmark index, by 0.35% per annum over rolling 3-year periods.
Government Bonds	Baillie Gifford Active Long Gilt Investment Fund	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	To produce a total return, after deduction of costs, in excess of the total return of the benchmark index, by 0.35% per annum over rolling 3-year periods.
Corporate bonds	Baillie Gifford Investment Grade Bond Fund	ICE BofA ML Sterling Non Gilts Index	To produce a total return, after deduction of costs, in excess of the total return of the benchmark index, by 0.5% per annum over rolling three-year periods.
Cash	LGIM Cash Fund	Sector: ABI Money Market	To perform in line with 7 Day GBP LIBID, without incurring excessive risk.

Moderate Flexible Lifestyle Strategy – Default

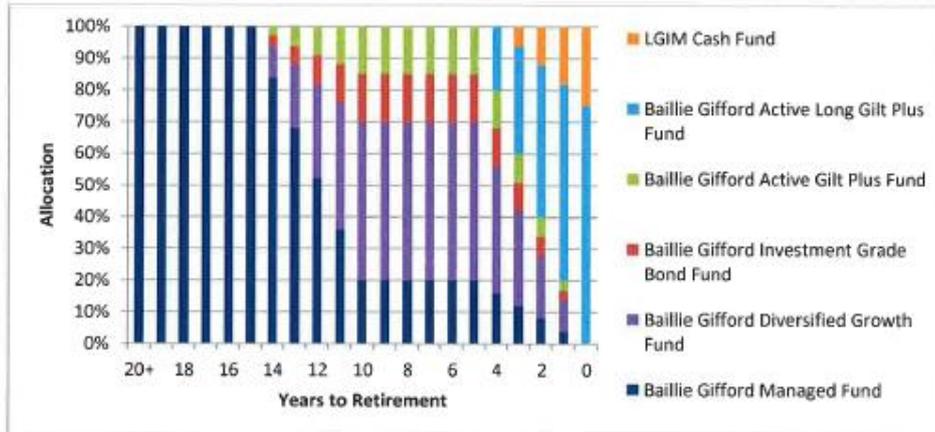
The below chart represents the structure of the default strategy, and the table includes the detail of the phases and funds employed within the strategy.



DC Governance Statement

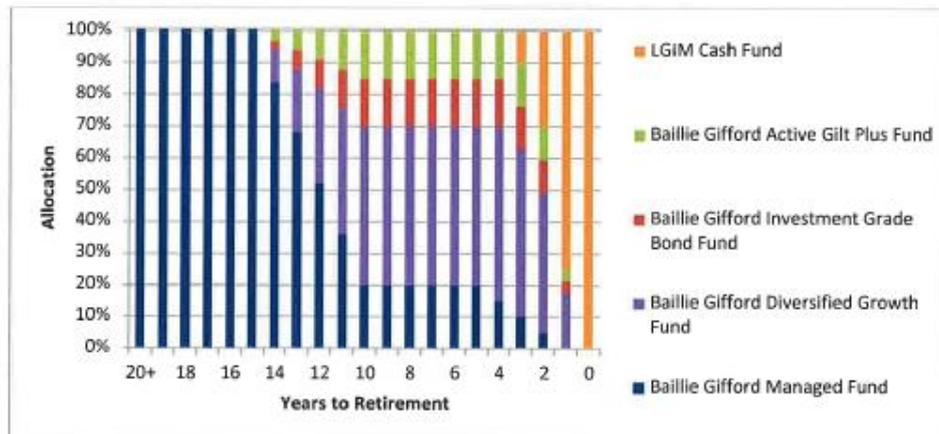
Moderate Annuity Lifestyle Strategy

The below chart represents the structure of the strategy, and the table includes the detail of the phases and funds employed within the strategy.



Moderate Lump Sum Lifestyle Strategy

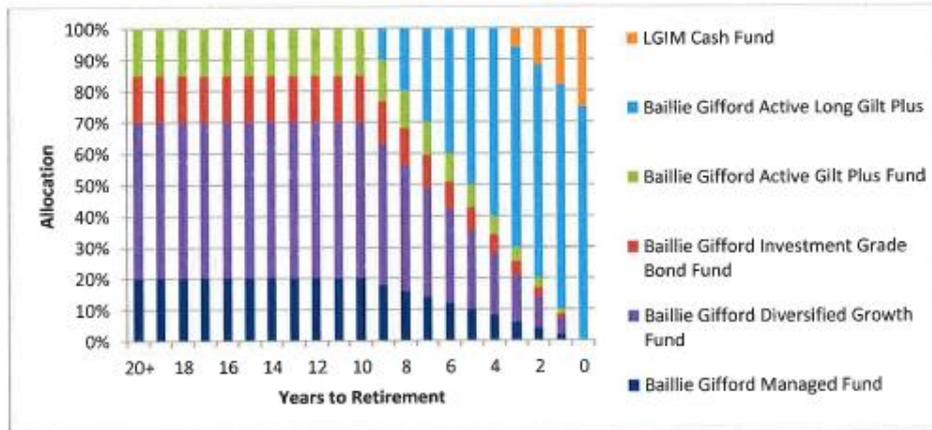
The below chart represents the structure of the strategy, and the table includes the detail of the phases and funds employed within the strategy.



DC Governance Statement

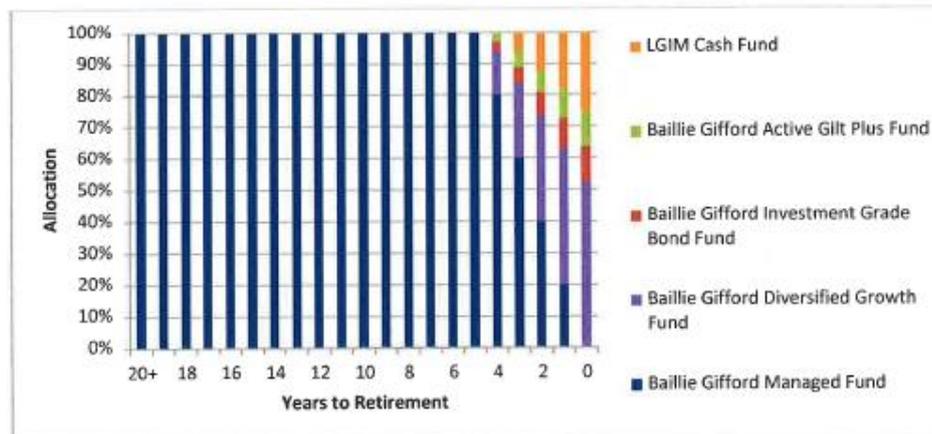
Cautious Annuity Lifestyle Strategy

The below chart represents the structure of the strategy, and the table includes the detail of the phases and funds employed within the strategy.



Adventurous Flexible Lifestyle Strategy

The below chart represents the structure of the strategy, and the table includes the detail of the phases and funds employed within the strategy.



DC Governance Statement

Disclaimer

In preparing this document we have relied upon data supplied by third parties. Although reasonable care has been taken to gauge the reliability of this data, this report therefore carries no guarantee of accuracy or completeness, and Capita Employee Solutions ("Capita") cannot be held accountable for the misrepresentation of data by third parties involved. The report is for your private information and is for discussion purposes only.

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This report is not intended by Capita to form a basis of any decision by a third party to do or omit to do anything.

Regulatory Statement

The information provided is based on our understanding of current law and taxation as at the date of this report.

HMRC policy, practice, and legislation may change in the future.

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DC Governance Statement

Appendix B: Member Charges and Transaction Costs

Charges and transaction costs for funds within the default investment strategy for the year ending 5 April 2019:

Fund	Ongoing Charges*	Transaction costs**
Baillie Gifford Managed Fund	0.430%	-0.060%
Baillie Gifford Diversified Growth Fund	0.780%	0.380%
Baillie Gifford Investment Grade Bond Fund	0.280%	0.040%
Baillie Gifford Active Gilt Plus Fund	0.210%	-0.250%
LGIM Cash Fund	0.125%	0.004%

Charges and transaction costs for funds within the alternative investment strategies for the year ending 5 April 2019:

Fund	Ongoing Charges*	Transaction costs**
Baillie Gifford Managed Fund	0.430%	-0.060%
Baillie Gifford Diversified Growth Fund	0.780%	0.380%
Baillie Gifford Investment Grade Bond Fund	0.280%	0.040%
Baillie Gifford Active Gilt Plus Fund	0.210%	-0.250%
Baillie Gifford Active Long Gilt Plus Fund	0.200%	0.010%
LGIM Cash Fund	0.125%	0.004%

Charges and transaction costs for all funds members are able to invest in, on a self-select basis, for the year ending 5 April 2019:

Fund	Ongoing Charges*	Transaction costs**
Baillie Gifford Managed Fund	0.430%	-0.060%
Baillie Gifford Diversified Growth Fund	0.780%	0.380%
Baillie Gifford Investment Grade Bond Fund	0.280%	0.040%
Baillie Gifford Active Gilt Plus Fund	0.210%	-0.250%
Baillie Gifford Active Long Gilt Plus Fund	0.200%	0.010%
LGIM Cash Fund	0.125%	0.004%

Notes for Appendix B

*Includes the AMC, plus various other expenses including index licensing fees, legal fees, administration, marketing, regulation, auditing.

DC Governance Statement

**Transaction costs that applied (or may have potentially applied) to the investment funds available to members.

Actual and potential transaction costs include:

- Broker commission
- Transaction taxes
- Implicit costs
- Entry/exit charges
- Other transaction costs
- Indirect transaction taxes
- Indirect broker commission
- Indirect implicit costs
- Indirect entry/exit charges
- Indirect other transaction costs
- Indirect transaction costs - external funds
- Anti-dilution offset
- Indirect anti-dilution offset

Indirect transaction costs have been calculated assuming a static fund structure as at 31 March 2019 and are calculated in line with the Slippage Cost method as defined by the DC Workplace Pensions template (DCPT).

All charges and transaction costs have been provided by Baillie Gifford and LGIM.

DC Governance Statement

Appendix C: Projected Values

The following tables illustrates the impact of charges and transaction costs on a member's pension savings. The following assumptions have been used:

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. The starting pot size is assumed to be £35,000 - approximately the average value of a representative 40yr old within the scheme.
3. The salary assumption is broadly the average salary of a representative 40yr old member of the scheme.
4. Salary growth is assumed to be 2.5% per annum.
5. A contribution rate of 12% has been used, which is approximately the average combined (employee and employer) contribution of the scheme's active membership.
6. Inflation is assumed to be 2.5% each year.
7. Fund growth assumptions are as follows:
 - a. Baillie Gifford Managed Fund = 4.96% per annum
 - b. Baillie Gifford Diversified Growth Fund = 4.50% per annum
 - c. Baillie Gifford Investment Grade Bond Fund = 2.91% per annum
 - d. Baillie Gifford Active Gilt Plus Fund = 1.90% per annum
 - e. Baillie Gifford Active Long Gilt Plus Fund = 1.90% per annum
 - f. LGIM Cash Fund 1.90% per annum

Values shown are estimates and are not guaranteed.

Default investment strategy - projected pension pot showing effect of charges and transaction costs produced in accordance with DWP guidance

<u>Projected pension fund in today's money</u>		
We have assumed a starting value of £35,000, a contribution rate of 12%, and a 40 year old member, but other ages can be assessed using the following table		
Default Strategy (Moderate Flexible)		
Years	Before costs and charges deducted	After costs and charges deducted
1	£41,261.00	£41,131.50
3	£54,248.85	£53,781.62
5	£67,883.56	£66,966.05
10	£105,015.76	£102,415.13
15	£144,318.47	£138,368.47
20	£182,994.58	£171,178.13
25	£222,695.01	£203,433.46

DC Governance Statement

Projected pension fund in today's money Alternative Strategy (Moderate Annuity)		
Years	Before costs and charges deducted	After costs and charges deducted
1	£41,261.00	£41,131.50
3	£54,248.85	£53,781.62
5	£67,883.56	£66,966.05
10	£105,015.76	£102,415.13
15	£144,318.47	£138,368.47
20	£182,994.58	£171,178.13
25	£216,014.19	£199,299.96

Projected pension fund in today's money Alternative Strategy (Moderate Lump Sum)		
Years	Before costs and charges deducted	After costs and charges deducted
1	£41,261.00	£41,131.50
3	£54,248.85	£53,781.62
5	£67,883.56	£66,966.05
10	£105,015.76	£102,415.13
15	£144,318.47	£138,368.47
20	£182,994.58	£171,178.13
25	£219,289.75	£201,274.13

Projected pension fund in today's money Alternative Strategy (Cautious Annuity)		
Years	Before costs and charges deducted	After costs and charges deducted
1	£40,912.23	£40,668.63
3	£52,997.52	£52,136.73
5	£65,439.14	£63,781.54
10	£98,171.81	£93,684.66
15	£133,370.84	£124,753.07
20	£167,984.33	£154,755.98
25	£195,039.72	£178,949.74

DC Governance Statement

Projected pension fund in today's money Alternative Strategy (Adventurous Flexible)		
Years	Before costs and charges deducted	After costs and charges deducted
1	£41,261.00	£41,131.50
3	£54,248.85	£53,781.62
5	£67,883.56	£66,966.05
10	£105,015.76	£102,415.13
15	£146,945.52	£141,726.75
20	£194,292.70	£185,321.78
25	£241,136.35	£225,912.28

Self-select funds - funds that members are able to self-select (including individual funds that comprise the default investment and alternative strategies)

Baillie Gifford Managed Fund (Gross Accumulation Rate = 4.96%)		
Years	Before costs and charges deducted	After costs and charges deducted
1	£41,261.00	£41,131.50
3	£54,248.85	£53,781.62
5	£67,883.56	£66,966.05
10	£105,015.76	£102,415.13
15	£146,945.52	£141,726.75
20	£194,292.70	£185,321.78
25	£247,757.25	£233,666.94

Baillie Gifford Diversified Growth Fund (Gross Accumulation Rate = 4.50%)		
Years	Before costs and charges deducted	After costs and charges deducted
1	£41,100.00	£40,694.00
3	£53,668.44	£52,225.89
5	£66,744.64	£63,952.33
10	£101,793.30	£94,141.26
15	£140,489.84	£125,619.61
20	£183,213.96	£158,442.44
25	£230,384.83	£192,667.19

DC Governance Statement

Baillie Gifford Investment Grade Bond Fund (Gross Accumulation Rate = 2.91%)		
Years	Before costs and charges deducted	After costs and charges deducted
1	£40,543.50	£40,431.50
3	£51,698.78	£51,309.17
5	£62,945.72	£62,206.43
10	£91,469.04	£89,535.50
15	£120,581.90	£116,987.78
20	£150,296.49	£144,563.82
25	£180,625.25	£172,264.17

Baillie Gifford Active Gilt Plus Fund (Gross Accumulation Rate = 1.90%)		
Years	Before costs and charges deducted	After costs and charges deducted
1	£40,190.00	£40,204.00
3	£50,476.77	£50,524.74
5	£60,640.46	£60,730.20
10	£85,520.89	£85,747.99
15	£109,663.80	£110,073.07
20	£133,091.07	£133,724.64
25	£155,823.90	£156,721.34

Baillie Gifford Active Long Gilt Plus Fund (Gross Accumulation Rate = 1.90%)		
Years	Before costs and charges deducted	After costs and charges deducted
1	£40,190.00	£40,116.50
3	£50,476.77	£50,225.50
5	£60,640.46	£60,171.41
10	£85,520.89	£84,339.75
15	£109,663.80	£107,545.01
20	£133,091.07	£129,825.56
25	£155,823.90	£151,218.24

DC Governance Statement

LGIM Cash Fund (Gross Accumulation Rate = 1.90%)		
Years	Before costs and charges deducted	After costs and charges deducted
1	£40,190.00	£40,144.85
3	£50,476.77	£50,322.31
5	£60,640.46	£60,351.91
10	£85,520.89	£84,793.13
15	£109,663.80	£108,356.35
20	£133,091.07	£131,073.13
25	£155,823.90	£152,973.86