

SONI Limited Pension Scheme (“the Scheme”)

Chair’s statement regarding the governance of defined contribution benefits

Scheme year - 1 April 2022 to 31 March 2023

1. Introduction

- 1.1. This statement has been prepared by the Trustees of the Scheme (“the Trustees”) to report on compliance with governance standards.
- 1.2. The governance standards apply to defined contribution (DC) arrangements and are designed to help members achieve good outcomes from their pension savings.
- 1.3. This statement covers the scheme year 1 April 2022 to 31 March 2023 (“the Scheme year”).

2. The Scheme’s DC arrangements

- 2.1. The Scheme’s DC arrangements comprise:
 - 2.1.1. The Options Section – this section holds the Scheme’s main DC benefits, i.e. those arising from standard contributions and additional voluntary contributions (“AVCs”). These benefits are administered by Barnett Waddingham. Funds are invested through Aegon’s investment-only platform.
 - 2.1.2. Bonus Accounts within the Focus Section, the defined benefit section of the Scheme. These accounts have historically comprised of “bonus” contributions made by SONI Limited (“the Company”) and AVCs, and funds are invested alongside the Options Section assets with Aegon.
- 2.2. The Options Section is open to new joiners and future contributions and is used as a ‘qualifying’ workplace pension scheme for automatic enrolment purposes.

3. Default arrangement

- 3.1. The Scheme has had three default investment arrangements throughout the reporting period for the purposes of the governance standards, all of which are versions of BlackRock’s “LifePath” target-date funds. These are as follows:
 - 3.1.1. Aegon BlackRock LifePath Flexi (“Default”) is the Options Section default arrangement for new joiners. This strategy uses a ‘target date fund’ approach to de-risk members’ investments as they approach their Target Retirement Age (TRA). Through the Default, members always invest in a single fund, however BlackRock manage and adjust the underlying investment portfolio to provide an appropriate level of risk at each stage of the member journey, from the inception of the policy up to and through retirement.
 - 3.1.2. The Default consists of a series of funds with the underlying investments built around investors moving to retirement at some stage in a particular three-year window (2043 to 2045 for example). LifePath Flexi is designed to target drawdown at a member’s TRA and has been structured to offer a strategy that is appropriate both up to and through retirement. The drawdown portfolio targets a holding of 40% in equities and 60% in bonds at TRA and is maintained throughout the decumulation phase.

- 3.1.3. LifePath Retirement is the default arrangement for both Options and Focus Section members who were 5 years or less from their TRA when LifePath was added as the Default.
 - 3.1.4. LifePath Capital is the default investment arrangement for Focus Section members with Bonus Accounts who were 5 years or more from their TRA when LifePath was added as the Default.
 - 3.1.5. Like the Default, both LifePath Capital and LifePath Retirement are a series of funds with 3-year retirement windows. LifePath Capital is designed to be suitable for members who want to withdraw their funds as cash at their TRA. LifePath Retirement is designed to be suitable for those members who intend to purchase a fixed income for life ('an annuity') when they retire, and the asset portfolio targets a holding of 25% cash and 75% in fixed income at the member's TRA.
 - 3.1.6. Alongside the default strategies, the Trustees have made all three variants of LifePath (Capital, Flexi and Retirement) available to members on a self-select basis. Six other individual funds are also available that cover the major asset classes. These are managed by BlackRock and LGIM and are hosted on the Aegon investment platform. The investments available are the same for the Options Section and Focus Section Bonus Accounts.
- 3.2. Further details of the Default are set out in the 'Statement of Investment Principles' ("SIP"), which has been appended to this statement in Appendix 2. This covers the investment policy in relation to the entire Scheme.

Review of the default

- 3.3. No formal review of the default was undertaken in the Scheme year. The default was last reviewed from a strategic point of view at a trustee meeting in October 2017, with a formal recommendation to change the default strategy agreed by the Trustees at a further meeting on 9 March 2018. A further review of the default strategy and wider fund range is underway and we will provide an update on this in next year's governance statement.
- 3.4. The Trustees have also been undertaking work in recent Scheme years, in conjunction with the Company and their pensions advisers, to review the overall suitability of the Scheme for members relative to other options available in the workplace pensions market. This included consideration of the different default investment strategies used across different providers and how they compared relative to the strategy used in the Scheme.
- 3.5. The Trustees understand that the LifePath investment strategies are also used as default strategies by a large workplace pension provider and therefore receive significant governance oversight as a result which benefits Scheme members as investors, however also recognise their responsibility to continue to review the strategies to ensure that they remain suitable for the Scheme's membership in particular.
- 3.6. With assistance from Barnett Waddingham LLP, the Scheme's investment advisors, the Trustees review the performance of all the DC Section investment options, including the default strategies, on a quarterly basis. During the reporting period, the Trustees were satisfied that the performance of the defaults was consistent with their aims and objectives, which are outlined in the Statement of Investment Principles.

4. Core financial transactions

- 4.1. The Trustees have a specific duty to ensure that 'core financial transactions' are processed promptly and accurately.
- 4.2. Core financial transactions comprise the following:
 - 4.2.1. Investment of contributions
 - 4.2.2. Transfers into and out of the Scheme
 - 4.2.3. Investment switches within the Scheme

4.2.4. Other payments out of the Scheme (e.g. retirement payments, death payments).

4.3. Core financial transactions for both the Options and Focus Sections are undertaken for the Trustees by the Scheme administrators, Barnett Waddingham LLP.

Controls in place

4.4. The controls in place in relation to ensuring the promptness and accuracy of core financial transactions are:

4.4.1. The Trustees have Service Level Agreements (SLAs) in place with Barnett Waddingham, the Scheme's administrator. The administrator aims to process at least 95% of core financial transactions within the service level for each type of transaction. Barnett Waddingham undertakes to ensure that core financial transactions are processed within the SLAs set out below:

Core financial transaction	Service Level Agreement
Contribution files	5 working days
Transfer payments (in or out)	3 working days
Investment switches	5 working days
Payments out of the Scheme	5 working days

4.4.2. Barnett Waddingham monitors that contributions are paid within regulatory timescales. All contributions during the Scheme year were paid well within these timescales.

4.4.3. All tasks completed by an administrator go through a robust checking process and any payments or investment activities in relation to the Scheme are authorised by a senior member of the team.

4.4.4. Barnett Waddingham operates a pooled banking facility. The Barnett Waddingham pension administration system is updated daily to show reconciled balances to the pooled banking system. Financial Conduct Authority regulations for holding client monies mean that Barnett Waddingham must carry out an internal and external reconciliation every day.

4.4.5. The audit of the Scheme's annual report and accounts.

4.4.6. The Trustees monitor the quality of the data held by Barnett Waddingham on an ongoing basis. Both common data and scheme-specific data scores are produced quarterly, and the Trustees will take action to improve data quality wherever possible. As at 31 March 2023, the common data score for the Scheme was 96.95%, and the scheme-specific data score was 90.86%. Under the methodology used, both scores indicate "very good data with minimal cleansing requirements".

4.4.7. Barnett Waddingham's administration controls and processes are subject to a formal external audit for the annual assurance report on internal controls.

4.4.8. Any material issues uncovered regarding inaccuracies with core financial transactions are included within the administrator's regular reporting to the Trustees.

Performance during the scheme year

4.5. During the Scheme year, Barnett Waddingham provided the Trustees with three administration reports that included reporting of service performance against the SLAs and identified any issues arising regarding administration accuracy.

4.6. As reported in the administration reports, the vast majority of tasks relating to DC core financial transactions were completed within SLA over the Scheme year. Although a small number of tasks were reported as missing SLA, these were when the transactions had themselves been processed in time but the tasks hadn't been properly closed down on the administration system.

- 4.7. The Trustees believe that these measures have enabled them to monitor the promptness and accuracy of core financial transactions and will allow them to continue to carefully scrutinise SLA achievement going forward.

Assessment

- 4.8. In view of the controls and monitoring arrangements in place, and the lack of any issues experienced during the Scheme year, the Trustees believe that core financial transactions have been processed promptly and accurately.

5. Member-borne charges and transaction costs

- 5.1. Members bear charges and transaction costs, which will differ depending on the investment options in which their pension savings are invested:
- 5.1.1. Charges: these are expressed as a percentage of the value of a member's holdings within an investment fund, and can be made up of a combination of charges, e.g. annual management charge and additional expenses. We refer to the total annual charge as the Total Expense Ratio (TER).
- 5.1.2. Transaction costs: these relate to the variable costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the TER.
- 5.2. The table below provides details of the explicit and implicit charges applied to each of the investment options provided through both the Options Section and Focus Section over the Scheme year (data sourced from Aegon as at 31 March 2023).

Default arrangements

Investment option	TER (p.a.)	Transaction Costs (p.a.)
Aegon BlackRock LifePath Capital (BLK)	0.36%	0.013%
Aegon BlackRock LifePath Capital 2022-2024 (BLK)	0.36%	0.024%
Aegon BlackRock LifePath Capital 2025-2027 (BLK)	0.36%	0.042%
Aegon BlackRock LifePath Capital 2028-2030 (BLK)	0.36%	0.056%
Aegon BlackRock LifePath Capital 2031-2033 (BLK)	0.36%	0.037%
Aegon BlackRock LifePath Flexi 2025-2027 (BLK)	0.36%	0.061%
Aegon BlackRock LifePath Flexi 2028-2030 (BLK)	0.36%	0.065%
Aegon BlackRock LifePath Flexi 2031-2033 (BLK)	0.36%	0.060%
Aegon BlackRock LifePath Flexi 2034-2036 (BLK)	0.36%	0.058%
Aegon BlackRock LifePath Flexi 2037-2039 (BLK)	0.36%	0.052%
Aegon BlackRock LifePath Flexi 2040-2042 (BLK)	0.36%	0.054%
Aegon BlackRock LifePath Flexi 2043-2045 (BLK)	0.36%	0.045%
Aegon BlackRock LifePath Flexi 2046-2048 (BLK)	0.36%	0.048%
Aegon BlackRock LifePath Flexi 2049-2051 (BLK)	0.36%	0.035%
Aegon BlackRock LifePath Flexi 2052-2054 (BLK)	0.36%	0.044%

Investment option	TER (p.a.)	Transaction Costs (p.a.)
Aegon BlackRock LifePath Flexi 2055-2057 (BLK)	0.36%	0.028%
Aegon BlackRock LifePath Flexi 2058-2060 (BLK)	0.36%	0.060%
Aegon BlackRock LifePath Flexi 2061-2063 (BLK)	0.36%	0.060%
Aegon BlackRock LifePath Flexi 2064-2066 (BLK)	0.36%	0.060%
Aegon BlackRock LifePath Retirement (BLK)	0.36%	0.098%

Other investment options

Investment option	TER (p.a.)	Transaction Costs (p.a.)
Aegon BlackRock Cash	0.280%	0.013%
Aegon BlackRock Dynamic Diversified Growth	0.600%	0.442%
Aegon BlackRock Index-Linked Gilt	0.300%	0.036%
Aegon BlackRock Pre-Retirement	0.300%	0.127%
Aegon BlackRock UK Equity Optimum	0.600%	0.171%
Aegon LGIM Global Equity (50:50) Index	0.400%	0.045%

Impact of the costs and charges applied through the Scheme

5.3. To demonstrate the impact of charges and transaction costs on members' pension savings over time, the Trustees have produced illustrations and these are set out in Appendix 1.

Net investment returns

5.4. From 1 October 2021, trustees of all relevant pension schemes, are required to calculate and state the annualised return, net of transaction costs and charges, of all investment options members were able to select, and in which members' assets were invested, during the Scheme year.

5.5. For investment strategies where the investment returns vary with age, trustees are required to show the returns for a member aged 25, 45 and 55 at the start of the period. The target date structure of the Plan's investment options already reflects any such variation and there is therefore no need to present information in this way.

5.6. The following table provides the returns for each fund used by Scheme members over the Scheme year.

Investment option	1yr net return	3yr net return (p.a.)	5yr net return (p.a.)
Aegon BlackRock LifePath Capital (BLK)	1.98%	0.61%	0.58%
Aegon BlackRock LifePath Capital 2022-24 (BLK)	-3.04%	2.87%	2.11%
Aegon BlackRock LifePath Capital 2025-27 (BLK)	-6.07%	4.36%	2.79%
Aegon BlackRock LifePath Capital 2028-30 (BLK)	-8.06%	6.13%	3.59%
Aegon BlackRock LifePath Capital 2031-33 (BLK)	-9.40%	7.28%	3.95%
Aegon BlackRock LifePath Flexi 2025-2027 (BLK)	-10.18%	4.87%	2.91%
Aegon BlackRock LifePath Flexi 2028-2030 (BLK)	-9.66%	6.14%	3.45%
Aegon BlackRock LifePath Flexi 2031-2033 (BLK)	-9.34%	7.29%	3.97%

Investment option	1yr net return	3yr net return (p.a.)	5yr net return (p.a.)
Aegon BlackRock LifePath Flexi 2034-2036 (BLK)	-8.79%	8.54%	4.50%
Aegon BlackRock LifePath Flexi 2037-2039 (BLK)	-8.15%	9.86%	5.10%
Aegon BlackRock LifePath Flexi 2040-2042 (BLK)	-7.42%	11.19%	5.64%
Aegon BlackRock LifePath Flexi 2043-2045 (BLK)	-6.78%	12.52%	6.19%
Aegon BlackRock LifePath Flexi 2046-2048 (BLK)	-5.87%	13.66%	6.69%
Aegon BlackRock LifePath Flexi 2049-2051 (BLK)	-5.66%	14.34%	6.98%
Aegon BlackRock LifePath Flexi 2052-2054 (BLK)	-5.15%	14.80%	7.19%
Aegon BlackRock LifePath Flexi 2055-2057 (BLK)	-4.85%	14.98%	7.27%
Aegon BlackRock LifePath Flexi 2058-2060 (BLK)	-4.84%	14.97%	7.26%
Aegon BlackRock LifePath Flexi 2061-2063 (BLK)	-4.84%	14.97%	7.25%
Aegon BlackRock LifePath Flexi 2064-2066 (BLK)	-4.83%	14.97%	7.26%
Aegon BlackRock LifePath Retirement (BLK)	-12.68%	-6.25%	-1.96%
Aegon BlackRock Cash (BLK)	1.93%	0.56%	0.54%
Aegon BlackRock Dynamic Diversified Growth (BLK)	-2.94%	4.73%	2.67%
Aegon BlackRock Index-Linked Gilt (BLK)	-30.63%	-9.48%	-4.41%
Aegon BlackRock Pre-Retirement (BLK)	-17.35%	-8.53%	-2.87%
Aegon BlackRock UK Equity Optimum (BLK)	4.48%	13.30%	5.83%
Aegon LGIM Global Equity (50:50) Index (BLK)	2.08%	14.31%	6.85%

Value for members

- 5.7. Regulations require the Trustees to assess the extent to which a scheme provides value for members.
- 5.8. The method to be used for this assessment changed for schemes with assets of less than £100m that have been operating for three years or more, effective for scheme years ending after 31 December 2021. The Scheme fits these criteria.
- 5.9. The assessment comprises three components:
- 5.9.1. An assessment of costs and charges relative to the average costs and charges for three comparator schemes.
 - 5.9.2. An assessment of net investment returns relative to the average net investment returns for three comparator schemes.
 - 5.9.3. A self-assessment across seven key metrics of scheme administration and governance.
- 5.10. For the relative assessments, costs and charges and net returns for default arrangements should be compared with those for the default arrangements of the comparator schemes. In addition, costs and charges and net returns for popular self-select funds should be compared with those for the nearest comparable funds in the comparator schemes (or, where there is no comparable fund, a comparator scheme's default arrangement).

- 5.11. The value for members assessment was undertaken in accordance with the statutory guidance for the Scheme year. Analysis was undertaken by Barnett Waddingham LLP and the findings considered and the outcome confirmed at a Trustees meeting in October 2023.
- 5.12. The following comparator schemes were used for the relative components of the assessment: the Aegon Master Trust, the Aviva Master Trust and the Legal & General Master Trust. In line with the guidance, all three of these schemes hold over £100m in defined contribution assets under management and have confirmed the possibility that they could reasonably accept a transfer of members' rights in the event that the Scheme is wound up (this is a regulatory requirement and does not in any way indicate that the Scheme is due to be wound up).
- 5.13. The outcomes of the three components of the assessment were:
- 5.13.1. Giving greater weight to the default investment arrangement, in which the majority of assets are invested, costs and charges for the Scheme were moderately higher than the average for the comparator schemes. The Trustees therefore concluded that the Scheme provides moderate value for members in relation to costs and charges.
 - 5.13.2. Giving greater weight to the default investment arrangement, in which the majority of assets are invested, net investment returns for the Scheme were closely comparable with the average for the comparator schemes. The Trustees therefore concluded that the Scheme provides good value for members in relation to net investment returns.
 - 5.13.3. The Trustees considered all seven metrics across scheme administration and governance, these being:
 - 5.13.3.1. Promptness and accuracy of core financial transactions;
 - 5.13.3.2. Quality of record keeping;
 - 5.13.3.3. Appropriateness of the default investment strategy;
 - 5.13.3.4. Quality of investment governance;
 - 5.13.3.5. Level of trustee knowledge, understanding and skills to operate the pension scheme effectively.
 - 5.13.3.6. Quality of communications with members;
 - 5.13.3.7. Effectiveness of management of conflicts of interest.The Trustees' performance against these metrics was reviewed and it concluded that the Scheme provides good value for members in relation to these metrics.
- 5.14. Taking the three components into account, the Trustees concluded that overall, the Scheme's DC arrangements offer good value for members.
- 5.15. The method of assessment is prescribed. Factors that were not considered but that add value include the employer contributions available through the Scheme and the operation of salary sacrifice for employee contributions for some members.

6. Trustee knowledge and understanding

The Trustee Board

- 6.1. The Trustees comprise five individual trustees, two of whom are nominated by the members and three of whom are appointed by the Company. The Chair of the Trustees is a professional and independent trustee, who brings a high degree of pensions experience, knowledge and expertise.
- 6.2.

Trustee knowledge and understanding requirements

- 6.3. The Trustees are required to be conversant with the Scheme's main documents and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets to enable them to properly exercise their functions.

Approach

- 6.4. The Trustees aim to remain conversant with the Scheme's trust deed and rules as well as all other Scheme documents such as the Statement of Investment Principles, the risk register and current policies, e.g. conflicts of interest. They do so through their experience in governing the Scheme, as well as specific activities over the Scheme year and access to professional advice
- 6.5. The Trustees aim to achieve and maintain knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets through a combination of training, taking professional advice and the inclusion of a professional trustee as a trustee and chair.
- 6.6. The independent and professional trustee holds multiple trustee roles which provides a breadth of industry experience and exposure to different professional advisers. Dalriada Trustees Limited also provide significant support and oversight for their trustee representatives, including peer review support for significant decisions, internal disclosures, and continuous professional development (CPD) requirements. They also have a robust internal handover process should a change in representative on the Scheme's trustee board be required in the future.
- 6.7. There is a training programme in place to meet knowledge gaps and training needs in relation to emerging legislation, Scheme changes and upcoming matters in the Scheme's calendar. The majority of training takes place at trustee meetings. New trustees are required to complete the Pensions Regulator's trustee toolkit within 6 months of appointment. A training log is maintained in relation to training undertaken and is reviewed at each trustee meeting. As a professional trustee, the Chair complies with CPD requirements of both the Association of Professional Pension Trustees and the Pensions Management Institute, in line with their responsibilities as a professional trustee.
- 6.8. The Trustees supplement training received at trustee meetings with further training activities such as attending seminars and conferences and reading pensions-related articles.
- 6.9. The Trustees consult with professional advisers as and when required, for example on consultancy, investment and legal matters. The professional advisers are engaged to pro-actively alert the Trustees on relevant changes to pension and trust law. Professional advisers also provide support in relation to understanding and reviewing the Scheme's documents, attending trustee meetings and often in the delivery of training at these meetings.

Activities over the Scheme year

- 6.10. During the Scheme year, in relation to the Scheme documentation, the Trustees:
 - 6.10.1. Reviewed and signed off the Trustees Report and Accounts;
 - 6.10.2. Reviewed and updated the Scheme's risk registers;
 - 6.10.3. Reviewed the Summary of Scheme Policies document;
 - 6.10.4. Oversaw the legal documentation required to ratify the resignation of one trustee and the appointment of another; and
 - 6.10.5. Worked with their administrators to implement a paperless system of member communication.
- 6.11. During the reporting period, the Trustees received training on:
 - 6.11.1. The Pension Regulator's New Code of Practice, Effective System of Governance and Own Risk Assessment requirements;
 - 6.11.2. Investment strategies and assessment of investment consultants.
 - 6.11.3. The Pensions Dashboard and associated data quality and security issues;

- 6.11.4. Legislative updates and developments in the DC pension environment.
- 6.12. During the period covered by this statement, the Trustees took professional advice on:
 - 6.12.1. The annual Value for Member assessment;
 - 6.12.2. Completion of the annual DC governance statement;
 - 6.12.3. Updates to the SIP and production of the Implementation Statement;
 - 6.12.4. Reviewing the objectives for their investment advisers in line with the CMA Order.
 - 6.12.5. Monitoring of the Scheme's investments; and
 - 6.12.6. Statutory Money Purchase Illustration assumptions.

Assessment

- 6.13. The Trustees comprise of company-appointed and member-nominated individuals from different professional backgrounds who bring a diversity of experience and perspective and allow for comprehensive consideration of the issues pertinent to the Scheme and its members.
- 6.14. The Trustees consider that their combined knowledge and understanding, together with their access to professional advice, enables them to exercise their trustee functions properly and effectively in the following ways:
 - 6.14.1. The Trustees are able to challenge and question advisers, service providers and other parties effectively;
 - 6.14.2. Trustees' decisions are made in accordance with the Scheme rules and in line with trust law duties; and
 - 6.14.3. The Trustees' decisions are not compromised by such things as conflicts or hospitality arrangements.

Original version signed by the Chair of the Trustees on 27 October 2023

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Greig McGuinness, of Dalriada Trustees Limited

Chair of the Trustees

Date

Appendix 1 - Illustrations on the impact of cost and charges

A1.1. To demonstrate the impact of member-borne charges and transaction costs on the value of members' pension savings, the Trustees have produced illustrations in accordance with statutory guidance. These show the impact of charges and transaction costs for representative cross-sections of the membership and investment options.

Parameters used for the illustrations

A1.2. The membership of the Options Section and the Bonus Accounts within the Focus Section, and the investment options offered, were analysed in determining the parameters to be used.

A1.3. Pot size: pot sizes of £11,000, £35,000 and £88,000 have been used; these represent the 25th percentile, the median and the 75th percentile of pot values (rounded to the nearest £1,000) of Options Section and Focus Section Bonus Account members respectively as at 31 March 2023.

A1.4. Future contributions: As there are both active and deferred members in the Scheme the Trustees have included illustrations that cater for both cohorts. The illustrations that represent active members use a future contribution assumption of 16% of pensionable salary as is the most common contribution rate paid by active members. There are also illustrations that include no future contribution assumptions to represent the Scheme's deferred members.

A1.5. Pensionable salary: For the illustrations that include future contribution assumptions, a starting pensionable salary of £55,000 has been used as this represents the approximate median (rounded to the nearest £1,000) pensionable salary of active members. Pensionable salary is assumed to grow at 2.5% per year.

A1.6. Timeframe: The illustrations for LifePath funds cover the periods over which an investor in each fund is expected to reach retirement age. The illustrations for non-LifePath funds cover the period it is expected to take the youngest Scheme member to reach retirement age.

A1.7. Investment options: the investment options selected for the illustrations include the default strategy (for which different versions are chosen to cover each investment stage), the highest charged fund and the lowest charged fund. These are outlined in the table below:

Fund Name	Rationale	Total Cost (p.a.) *	Assumed return **
Aegon BlackRock LifePath Flexi 2031-33	Default strategy	0.39%	2.48% above inflation
Aegon BlackRock LifePath Flexi 2055-57	Default strategy	0.39%	3.30% above inflation
Aegon BlackRock LifePath Flexi 2064-66	Default strategy	0.42%	3.52% above inflation
Aegon BlackRock Dynamic Diversified Growth	Highest costs and charges	0.98%	3.80% above inflation
Aegon BlackRock Cash	Lowest costs and charges	0.29%	1.75% above inflation

* This figure includes both the TER and transaction costs. The statutory guidance requires trustees to use an average of the last five years' transaction costs (insofar as these are available) when producing the illustrations.

** Projected growth rates, gross of costs and charges, for each investment option are in line with the 2023 Statutory Money Purchase Illustrations (SMPIs).

Guidance to the illustrations

- A1.8. For each illustration, the savings pot has been projected twice: firstly for the assumed investment return gross of costs and charges; and secondly for the assumed investment return net of costs and charges.
- A1.9. Projected pot sizes are shown in today's terms, so do not need to be reduced further for the effects of future inflation. Inflation is assumed to remain constant throughout the term of the illustrations, at 2.5% per year.
- A1.10. Values shown are estimates and not guaranteed.
- A1.11. The starting date for the illustrations is 31 March 2023.
- A1.12. The illustrations should be read based on the number of future years that a member expects to be invested in those funds.

Aegon BlackRock LifePath Flexi 2064-66 Fund

An illustration has been included for this fund as it shows the impact of costs and charges for the target date fund within the default strategy with the longest duration. It covers a 45-year timeframe.

Illustration basis	Years of membership	Starting pot size £11,000		Starting pot size £35,000		Starting pot size £88,000	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Active member	0	£11,000	£11,000	£35,000	£35,000	£88,000	£88,000
	5	£60,365	£59,630	£88,779	£87,485	£151,526	£149,000
	10	£118,809	£116,072	£152,448	£148,402	£226,736	£219,799
	15	£187,984	£181,565	£227,807	£219,086	£315,748	£301,944
	20	£269,869	£257,568	£317,009	£301,112	£421,111	£397,270
	25	£366,801	£345,771	£422,605	£396,303	£545,837	£507,895
	30	£481,546	£448,130	£547,605	£506,774	£693,484	£636,278
	35	£617,378	£566,920	£695,576	£634,976	£868,263	£785,267
	40	£778,171	£704,776	£870,739	£783,756	£1,075,160	£958,171
	45	£968,513	£864,760	£1,078,092	£956,418	£1,320,080	£1,158,827
Deferred member	0	£11,000	£11,000	£35,000	£35,000	£88,000	£88,000
	5	£13,023	£12,767	£41,437	£40,623	£104,184	£102,137
	10	£15,418	£14,818	£49,058	£47,149	£123,345	£118,545
	15	£18,252	£17,197	£58,074	£54,718	£146,016	£137,576
	20	£21,606	£19,957	£68,747	£63,500	£172,849	£159,658
	25	£25,577	£23,161	£81,380	£73,693	£204,613	£185,285
	30	£30,277	£26,878	£96,335	£85,522	£242,214	£215,026
	35	£35,841	£31,192	£114,038	£99,249	£286,725	£249,539
	40	£42,427	£36,199	£134,995	£115,179	£339,416	£289,593
45	£50,224	£42,010	£159,803	£133,667	£401,790	£336,076	
No contributions	0	£11,000	£11,000	£35,000	£35,000	£88,000	£88,000
	5	£13,023	£12,767	£41,437	£40,623	£104,184	£102,137
	10	£15,418	£14,818	£49,058	£47,149	£123,345	£118,545
	15	£18,252	£17,197	£58,074	£54,718	£146,016	£137,576
	20	£21,606	£19,957	£68,747	£63,500	£172,849	£159,658
	25	£25,577	£23,161	£81,380	£73,693	£204,613	£185,285
	30	£30,277	£26,878	£96,335	£85,522	£242,214	£215,026
	35	£35,841	£31,192	£114,038	£99,249	£286,725	£249,539
	40	£42,427	£36,199	£134,995	£115,179	£339,416	£289,593
45	£50,224	£42,010	£159,803	£133,667	£401,790	£336,076	

Note on how to read this table: If a member has invested £11,000 in the Aegon BlackRock LifePath Flexi 2064-66 Fund on 31 March 2023, and £733 in contributions were paid each month, when they came to retire in 20 years, the fund could be worth £269,869 if no charges are applied but £257,568 with charges applied.

Aegon BlackRock LifePath Flexi 2055-57 Fund

An illustration has been included for this fund as it shows the impact of costs and charges for the target date fund within the default strategy which covers the period in which the fund is de-risking. It covers a 35-year timeframe.

Illustration basis	Years of membership	Starting pot size £11,000		Starting pot size £35,000		Starting pot size £88,000	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Active member	0	£11,000	£11,000	£35,000	£35,000	£88,000	£88,000
	5	£59,979	£59,317	£88,099	£86,936	£150,198	£147,928
	10	£117,366	£114,920	£150,314	£146,704	£223,074	£216,892
	15	£184,606	£178,907	£223,210	£215,484	£308,462	£296,256
	20	£263,389	£252,543	£308,621	£294,635	£408,509	£387,587
	25	£355,698	£337,283	£408,696	£385,721	£525,732	£492,689
	30	£463,855	£434,800	£525,951	£490,542	£663,080	£613,640
Starting pensionable Salary: £55,000 Contribution level: 16%	35	£590,580	£547,021	£663,337	£611,169	£824,008	£752,829
	0	£11,000	£11,000	£35,000	£35,000	£88,000	£88,000
	5	£12,888	£12,659	£41,009	£40,278	£103,108	£101,269
	10	£15,101	£14,567	£48,049	£46,351	£120,809	£116,540
	15	£17,694	£16,764	£56,298	£53,340	£141,550	£134,113
	20	£20,731	£19,292	£65,964	£61,383	£165,851	£154,335
	25	£24,291	£22,201	£77,288	£70,639	£194,325	£177,608
Deferred member No contributions	30	£28,461	£25,549	£90,557	£81,291	£227,686	£204,389
	35	£33,347	£29,401	£106,104	£93,549	£266,775	£235,208

Note on how to read this table: If a member has invested £11,000 in the Aegon BlackRock LifePath Flexi 2055-57 Fund on 31 March 2023, and £733 in contributions were paid each month, when they came to retire in 20 years, the fund could be worth £263,389 if no charges are applied but £252,543 with charges applied.

Aegon BlackRock LifePath Flexi 2031-33 Fund

An illustration has been included for this fund as it shows the impact of costs and charges for the target date fund within the default strategy which covers the period a member approaches retirement. It covers a 10-year timeframe.

Illustration basis	Years of membership	Starting pot size £11,000		Starting pot size £35,000		Starting pot size £88,000	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Active member	0	£11,000	£11,000	£35,000	£35,000	£88,000	£88,000
	2	£29,345	£29,193	£54,520	£54,181	£110,116	£109,365
	4	£48,588	£48,135	£74,996	£74,153	£133,315	£131,610
	6	£68,773	£67,857	£96,475	£94,947	£157,650	£154,771
	8	£89,947	£88,392	£119,006	£116,598	£183,177	£178,886
Starting pensionable Salary: £55,000	10	£112,159	£109,773	£142,640	£139,141	£209,954	£203,995
Contribution level: 16%	0	£11,000	£11,000	£35,000	£35,000	£88,000	£88,000
	2	£11,539	£11,453	£36,714	£36,442	£92,310	£91,625
	4	£12,104	£11,925	£38,512	£37,943	£96,831	£95,400
	6	£12,697	£12,416	£40,398	£39,506	£101,573	£99,330
	8	£13,318	£12,928	£42,377	£41,134	£106,548	£103,422
No contributions	10	£13,971	£13,460	£44,452	£42,828	£111,766	£107,683

Note on how to read this table: If a member has invested £11,000 in the Aegon BlackRock LifePath Flexi 2031-33 Fund on 31 March 2023, and £733 in contributions were paid each month, when they came to retire in 10 years, the fund could be worth £112,159 if no charges are applied but £109,773 with charges applied.

Aegon BlackRock Dynamic Diversified Growth Fund

An illustration has been included for this fund as it is the highest-charged investment option available to members. It covers a 45-year timeframe.

Illustration basis	Years of membership	Starting pot size £11,000		Starting pot size £35,000		Starting pot size £88,000	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Active member Starting pensionable Salary: £55,000 Contribution level: 16%	0	£11,000	£11,000	£35,000	£35,000	£88,000	£88,000
	5	£60,860	£59,144	£89,651	£86,632	£153,231	£147,336
	10	£120,673	£114,286	£155,212	£145,769	£231,485	£215,295
	15	£192,427	£177,442	£233,860	£213,501	£325,360	£293,132
	20	£278,505	£249,777	£328,210	£291,077	£437,975	£382,282
	25	£381,766	£332,626	£441,394	£379,928	£573,071	£484,388
	30	£505,642	£427,515	£577,173	£481,693	£735,137	£601,336
	35	£654,247	£536,197	£740,057	£598,249	£929,555	£735,280
	40	£832,517	£660,674	£935,458	£731,744	£1,162,785	£888,692
45	£1,046,376	£803,242	£1,169,867	£884,643	£1,442,575	£1,064,401	
Deferred member No contributions	0	£11,000	£11,000	£35,000	£35,000	£88,000	£88,000
	5	£13,196	£12,599	£41,987	£40,087	£105,567	£100,790
	10	£15,830	£14,430	£50,369	£45,913	£126,642	£115,439
	15	£18,990	£16,527	£60,424	£52,586	£151,923	£132,217
	20	£22,781	£18,929	£72,486	£60,229	£182,251	£151,434
	25	£27,329	£21,680	£86,957	£68,983	£218,634	£173,443
	30	£32,785	£24,831	£104,316	£79,009	£262,280	£198,652
	35	£39,330	£28,440	£125,140	£90,492	£314,638	£227,524
	40	£47,181	£32,574	£150,122	£103,645	£377,449	£260,593
45	£56,600	£37,308	£180,091	£118,709	£452,799	£298,467	

Note on how to read this table: If a member has invested £11,000 in the Aegon BlackRock Diversified Growth Fund on 31 March 2023, and £733 in contributions were paid each month, when they came to retire in 20 years, the fund could be worth £278,505 if no charges are applied but £249,777 with charges applied.

Aegon BlackRock Cash Fund

An illustration has been included for this fund as it is the lowest-charged investment option available to members. It covers a 45-year timeframe.

Illustration basis	Years of membership	Starting pot size £11,000		Starting pot size £35,000		Starting pot size £88,000	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Active member	0	£11,000	£11,000	£35,000	£35,000	£88,000	£88,000
	5	£57,324	£56,839	£83,444	£82,598	£141,125	£139,482
	10	£107,739	£106,038	£136,166	£133,684	£198,943	£194,736
	15	£162,608	£158,841	£193,546	£188,513	£261,867	£254,039
	20	£222,323	£215,514	£255,994	£247,360	£330,350	£317,688
	25	£287,313	£276,340	£323,958	£310,519	£404,882	£386,000
	30	£358,043	£341,622	£397,925	£378,307	£485,998	£459,319
	35	£435,021	£411,689	£478,426	£451,061	£574,279	£538,010
	40	£518,799	£486,890	£566,038	£529,147	£670,357	£622,467
Starting pensionable Salary: £55,000 Contribution level: 16%	45	£609,977	£567,601	£661,389	£612,955	£774,922	£713,113
	0	£11,000	£11,000	£35,000	£35,000	£88,000	£88,000
	5	£11,972	£11,806	£38,092	£37,565	£95,773	£94,448
	10	£13,029	£12,671	£41,456	£40,317	£104,233	£101,369
	15	£14,180	£13,600	£45,118	£43,272	£113,440	£108,797
	20	£15,433	£14,596	£49,103	£46,443	£123,460	£116,770
	25	£16,796	£15,666	£53,441	£49,846	£134,365	£125,326
	30	£18,279	£16,814	£58,161	£53,498	£146,234	£134,510
	35	£19,894	£18,046	£63,299	£57,419	£159,151	£144,367
No contributions	40	£21,651	£19,368	£68,890	£61,626	£173,209	£154,945
	45	£23,564	£20,787	£74,975	£66,142	£188,509	£166,299

Note on how to read this table: If a member has invested £11,000 in the Aegon BlackRock Cash Fund on 31 March 2023, and £733 in contributions were paid each month, when they came to retire in 20 years, the fund could be worth £222,323 if no charges are applied but £215,514 with charges applied.

Appendix 2 – Statement of Investment Principles

SONI Limited Pension Scheme

Statement of Investment Principles

January 2022

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1. Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustees of the SONI Limited Pension Scheme (the Scheme). This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:
 - the Pensions Act 1995, as amended by the Pensions Act 2004; and
 - the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010.
 - the Occupational Pension Schemes (Charges and Governance) Regulations 2015; and,
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2. In preparing this statement the Trustees have consulted SONI Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultant. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.
- 1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.
- 1.4. The Trustees will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.
- 1.5. The investment powers of the Trustees are set out in Clause E of the Definitive Trust Deed & Rules, dated June 2009. This statement is consistent with those powers.
- 1.6. The Scheme consists of the Focus Defined Benefit (DB) Section, the Focus Defined Contribution (DC) Section and the Options DC Section.

2. Choosing investments

- 2.1. The Trustees' policy for the DB Section is to set the overall investment target and then monitor the performance of their managers against that target. For the DC Sections, the Trustees' policy is to offer a default investment arrangement suitable for the Scheme's membership profile plus a core range of investment funds into which members can choose to invest. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.
- 2.2. The day-to-day management of the Scheme's assets is delegated to one or more investment managers. The Scheme's investment managers are detailed in the Appendices to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.
- 2.3. The Trustees review the appropriateness of the Scheme's DB and DC investment strategies on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustees will also consult the employer before amending either the DB or DC investment strategy.

3. Investment objectives

- 3.1. The Trustees have discussed key investment objectives in light of an analysis of the Scheme's liability profile (for the DB Section) and the Scheme's membership profile (for the DC Section) as well as the constraints the Trustees face in achieving these objectives.
- 3.2. The Trustees' main investment objectives in respect of the Focus DB Section are:
- to ensure that they can meet the members' entitlements under the Trust Deed and Rules as they fall due;
 - to achieve a long-term positive real return;
 - to manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's required contribution levels;
 - to invest in assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from members and the participating employer, the cost of current and future benefits which the Scheme provides;
 - to reduce the risk of the assets failing to meet the liabilities over the long term;
 - to minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the above objectives;
 - to take account of the long-term risks, including those relating to non-financial factors, when making investment decisions.
- 3.3. The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Focus DB Section's liabilities. The Trustees have obtained exposure to investments that they expect will meet the Focus Section's objectives as best as possible.
- 3.4. The Trustees' main investment objectives for the DC Sections are:
- to provide suitable default investment option(s) that are likely to be suitable for a typical member of the DC Sections;
 - to offer an appropriate range of alternative investment options so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different needs and objectives;
 - to maximise member outcomes;
 - to manage the expected volatility of the returns achieved in order to control the level of volatility in the value of members' pension pots;
 - to reduce the risk of the assets failing to meet projected retirement income levels.
- 3.5. Within the DC Sections, the Trustees are responsible for the design of the default investment option and for choosing which funds to make available to members. Members are responsible for their own choice of investment options.

4. Kinds of investments to be held

- 4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property, annuity policies and other alternatives.
- 4.2. Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risks in the portfolio or for the purposes of efficient portfolio management.
- 4.3. The Trustees monitor from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically this check is carried out annually by the Scheme's auditors.

5. The balance between different kinds of investments

- 5.1. The Focus DB Section invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within Appendix 1 to this Statement.
- 5.2. DC Section members can choose to invest in the funds detailed in Appendix 2. Where members do not choose where their contributions, and those made on their behalf by the employer, are invested, the Trustees will invest these contributions according to the default investment strategy set out in Appendix 2.
- 5.3. The Trustees consider the merits of both active and passive management for the various elements of each Section's portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendices to this Statement.
- 5.4. From time to time the DB Section may deviate from its strategic or tactical asset allocation in order to accommodate for any short-term cashflow requirements or any other unexpected items.
- 5.5. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the asset allocation of the Focus DB Section will be expected to change as the Scheme's liability profile matures. The asset allocation of the DC Sections may change as the membership profile evolves.

6. Risks

- 6.1. The Trustees have considered the following risks for the Focus DB Section with regard to its investment policy and the Scheme's liabilities, and considered ways of managing/monitoring these risks:

Risk versus the liabilities	The Trustees will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.
Covenant risk	The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
Solvency and mismatching	The risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.
Asset allocation risk	The asset allocation is detailed in Appendix 1 to this Statement and is monitored on a regular basis by the Trustees.
Liquidity risk	The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cashflow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.

6.2. For the DC Sections, investment risk lies with the members themselves. However, the Trustees have considered the following risks when making available suitable investment choices:

Inflation risk	The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the retirement savings. The Trustees make available investment options that are expected to provide a long-term real rate of return.
Conversion risk	The risk that fluctuations in the assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the benefit amount likely to be received. In the default arrangements made available to members (see Appendix 2), the Trustees increase the proportion of assets that are expected to more closely match how they expect members to access their retirement savings as members move towards retirement.
Retirement income risk	The risk that a member's retirement income falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid. The Trustees periodically review the appropriateness of the fund range offered to members to support appropriate member outcomes, whilst providing communication to members from time to time explaining the importance of the level of contributions.

6.3. The following risks have been considered in the context of both the Focus and Options Sections:

Investment manager risk	The Trustees monitor the performance of each of the Scheme's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustees have a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
Governance risk	Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the managers' practices in their annual Implementation Statement.
ESG/Climate risk	The Trustees have considered long-term financial risks to the Scheme and ESG factors as well as climate risk are potentially financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Currency risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging is employed in some cases to manage the impact of exchange rate fluctuations.
Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

7. Expected return on investments

- 7.1. The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.
- 7.2. The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 7.3. In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities of the Focus DB Section.
- 7.4. Having established the investment strategy, the Trustees monitor the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions (and the Focus DB Section's funding position). The Trustees meet the Scheme's investment managers as frequently as is appropriate, in order to review performance.

8. Realisation of investments

- 8.1. The Trustees have delegated the responsibility for buying and selling investments to the investment managers. The Trustees have considered the risk of liquidity as referred to above.
- 8.2. Ultimately, the Focus DB Section investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustees are aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

9. Environmental, Social and Governance considerations and investment stewardship

Policy on financially material considerations

- 9.1. The Trustees invest in pooled investment vehicles. The Trustees are comfortable that the funds currently invested in by the Scheme (for the DB Section and the default strategy in the DC Section) are managed in accordance with their views on financially material factors, as set out below. This position is monitored periodically.
- 9.2. The Trustees believe that Environmental, Social and Governance factors, including but not limited to climate change, (referred to together as "ESG issues"), are potentially financially material for the Scheme over the length of time until the Scheme's life comes to an end. This was agreed subsequent to a training session by their investment advisor. The Trustees appreciate that the method of incorporating ESG in the investment strategy and process will differ between asset classes and needs to be considered alongside other implementation factors. The process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.
- 9.3. The Trustees are also cognisant of the different investment timeframes that members/investments will have. Further to this, the Trustees believe that ESG issues will be more important for members who are further from retirement (or more generally longer-term holdings), as the financial materiality of such issues will have a greater impact over a longer timeframe.
- 9.4. All managers are signatories to the UN Principles of Responsible Investment and the Financial Reporting Council's UK Stewardship Code (which aims to enhance the quality of engagement between investors and companies). The Trustees will consider ESG, voting and engagement issues when appointing and reviewing managers (and reviewing the investment strategy of either the DB or DC Section) to ensure that they are appropriately taken into account given the asset class involved.
- 9.5. A summary of the Trustees' views for each asset class in which the Scheme invests is outlined below.

Equities The Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme's equities.

- **Passive equities** – The Trustees accept that the fund manager must invest in line with the specified index and, therefore, may not be able to select, retain or realise investments based on ESG related risks and opportunities. However, the Trustees believe that positive engagement on ESG factors can lead to improved risk-adjusted returns alongside better environmental, social or governance

outcomes more generally. The Trustees therefore require that the fund manager takes into account ESG considerations when engaging with companies and by exercising voting rights.

- **Active Equities** – Where equities are actively managed, the Trustees expect the fund manager to integrate ESG factors into the selection, retention, monitoring, and realisation of the stocks they hold where this is expected to have a material impact on returns.. The Trustees also expects their fund manager to take into account ESG considerations when engaging with companies and by exercising voting rights.

Multi-asset funds The Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme’s multi-asset fund managers. The Trustees are therefore supportive of the multi-asset fund managers used by the Scheme taking ESG issues into account in the investment process, where relevant. The Trustees are satisfied that the managers have suitable processes to consider ESG factors and take them into account (where relevant) in the selection, retention and realisation of the underlying investments within the funds. The Trustees also support engagement activities and (where relevant) the exercise of rights attaching the investments by the Scheme’s multi-asset fund managers. However, the incorporation of ESG issues, the exercise of rights and engagement activities should be consistent with, and proportionate to, the rest of the investment process.

Credit The Trustees believe that ESG issues are financially material to the risk-adjusted returns achieved by the Scheme’s credit holdings. For active mandates, the manager is expected to consider all financially material considerations, including but not limited to ESG factors, when managing the fund. The Trustees recognise that for passive mandates, the fund’s holdings are largely dictated by the index being tracked. The Trustees recognise that fixed income assets do not include voting rights, however, they support engagement with companies by their managers, particularly in markets where the manager may be responsible for a larger share of any investment. However, the incorporation of ESG issues and engagement activities should be consistent with, and proportionate to, the rest of the investment process.

LDI, government bonds and money markets The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in these asset classes because of the nature of the instruments used and the fact that money market investments are short-term. Gilts and swaps do not have voting rights attached, and the UK Government does not currently engage with gilt holders in this way. Government bonds of developed market countries, and money market investments, typically have very low levels of ESG risk and therefore ESG analysis is less relevant to these investments. It is worth noting that when transacting in LDI and money market funds, the Trustees require due diligence is undertaken to assess the credit worthiness of the counterparty both at the start of and throughout any investment, whilst at the same time looking to achieve best execution. The Trustees believe this is more relevant for longer term trades compared to shorter term trades and should incorporate ESG factors where these assist with the credit worthiness assessment.

- 9.6. In relation to the DC Section’s default strategy, the Trustees remain comfortable that, at the present time, it is aligned with their view on ESG issues. This recognises that ESG issues are not the only financially material consideration and need to be considered alongside factors such as active manager risk and cost.,
- 9.7. In relation to the DC section, The Scheme’s investment advisor will review how ESG issues are taken into account for each of the Scheme’s mandates and report back their beliefs so that this can form part of the Trustees’ implementation report that will be produced annually.

Policy on assessment and monitoring

- 9.8. The Trustees delegate the consideration of all financially material factors in relation to determining the underlying holdings within the pooled funds, including ESG factors, to the Scheme's investment managers as part of their day-to-day management.
- 9.9. For all pooled funds, the Trustees take into account how ESG factors are integrated into the Scheme's managers' fund management processes when appointing, monitoring, engaging with and replacing funds and managers as follows.

Appointing funds and managers When selecting new investments, the Trustees will consider requesting information on ESG integration credentials as part of the proposals. However, an investment manager's excellence in this area will not necessarily take precedence over other factors.

Monitoring and engagement with managers Each of the Scheme's investment managers has its own ESG policy, ESG integration process and ESG resources as part of its wider management process and capability. The Trustees will continue to monitor and assess these on an ongoing basis. From time to time, the Trustees may ask the Scheme's investment managers to attend meetings and provide updates on the funds, which the Trustees may request to include an update on ESG considerations.

If, as part of this monitoring process or based on any ad-hoc updates provided by the investment consultant, any issues specifically related to the ESG factors are identified, the Trustees may request further information from the Scheme's managers and engage with them in relation to these matters either directly or through their investment consultant.

Replacing funds and managers If any significant ESG integration related issues are identified for a fund or a manager, the Trustees may choose to replace them. However, as per the appointment of funds and managers, the investment manager's shortcomings in this area will not necessarily be seen as sufficient reason for replacement and will not necessarily take precedence over consideration of other factors.

- 9.10. The Trustees will also take ESG factors into account as part of determining the strategic asset allocation, and consider these factors as part of their ongoing review of the Scheme's investments.

Policy on the exercise of voting rights and engagement activities

- 9.11. The Trustees believe that good stewardship and positive engagement can lead to improved governance and better risk-adjusted investor returns.
- 9.12. As an investor in pooled funds, the Trustees currently adopt a policy of delegating the exercising of the rights (including voting rights) attached to the Scheme's investments to the investment managers.
- 9.13. The Trustees also delegate undertaking engagement activities, which include entering into discussions with the company management in an attempt to influence behaviour, to the investment managers.
- 9.14. The Trustees assessed the current stewardship approach of its investment managers based on information collated by the investment consultant and provided by the respective managers.
- 9.15. The Trustees will monitor and engage with the investment managers in relation to stewardship activities as follows.
- 9.16. The Trustees will, with support from the investment consultant, periodically request and review the stewardship policies, voting and engagement activities of the Scheme's investment managers. In case of

any specific issues or questions being identified through this monitoring process, the Trustees will engage with the Scheme's investment managers for more information and discuss any remedial action taken.

- 9.17. The Trustees will also ask managers to attend meetings from time to time to present and discuss their stewardship activities, including details of any voting rights exercised.
- 9.18. When selecting investment managers, where appropriate and applicable, the Trustees will consider the investment managers' policies on stewardship and engagement, and how those policies have been implemented.

Engagement activities

- 9.19. The Trustees acknowledge the importance of ESG and climate risk within their investment decision-making framework. When delegating investment decision making to their investment managers, they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.
- 9.20. The Trustees are firmly of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.
- 9.21. The Trustees consider it to be a part of their investments managers' roles to assess and monitor developments in the capital structure for each of the companies in which the manager invests on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.
- 9.22. The Trustees also consider it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme. Where the Trustees use pooled funds, the Trustees expect the investment manager to employ the same degree of scrutiny.
- 9.23. Should an investment manager be failing in these respects, this should be captured in the Scheme's regular performance monitoring.
- 9.24. The Scheme's investment managers are granted full discretion over whether or not to hold the equity, debt or other investment in the Sponsoring employer's business. Through their consultation with the Sponsoring Employer when setting this Statement of Investment Principles, the Trustees have made the Sponsoring Employer aware of their attitude to ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.
- 9.25. The Scheme's investment consultants, Barnett Waddingham, are independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflict of interest.
- 9.26. The Trustees expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees/investment manager and the investee companies.

Policy on non-financial matters

- 9.27. The Trustees do not take account of non-financial matters (such as member ethical views) within the default investment strategies of the DC Section or within the DB Section investment strategy and in terms of the selection, retention and realisation of investments. However, the Trustees will consider the viability and attractiveness of offering DC Section members a self-select option should they wish to express an ethical preference in their pension saving.
- 9.28. The Trustees will review the policy on whether to take account of non-financial matters periodically.

10. Policy on arrangements with asset managers

Incentivising alignment with the Trustees' investment policies

- 10.1. Prior to appointing an investment manager, the Trustees discuss the investment manager's benchmark and approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how they are aligned with the Trustees' own investment aims, beliefs and constraints.
- 10.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees also consider how ESG and climate risk are integrated into these. If the Trustees deem any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will use another manager for the mandate.
- 10.3. The Trustees carry out a strategy review at least every 3 years where they assess the continuing relevance of the strategy in the context of the Scheme and their aims, beliefs and constraints. The Trustees monitor the investment managers' approach to ESG and climate related risks on an annual basis.
- 10.4. In the event that the investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated. The investment managers have been informed of this by the Trustees.
- 10.5. Investment manager ESG policies are reviewed in the context of best industry practice and feedback is/will be provided to the investment manager.

Incentivising assessments based on medium to long term, financial and non-financial considerations

- 10.6. The Trustees are mindful that the impact of ESG and climate change may have a long-term nature. However, they are aware that the need to change their current pathway is great. The Trustees recognise that the potential for change in value as a result of ESG and climate risk, may occur over a much shorter term than climate change itself. The Trustees have acknowledged this in their investment management arrangements.
- 10.7. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over an agreed predetermined rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expect this to be sufficient to ensure an appropriate alignment of interests.

- 10.8. The Trustees expect investment managers to be voting and engaging on behalf of the fund's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short term targets.

Method and time horizon for assessing performance

- 10.9. The Trustees monitor the performance of its investment managers over the medium to long time periods that are predetermined and consistent with the Trustees' investment aims, beliefs and constraints.
- 10.10. The Scheme invests mainly in pooled funds. The investment managers are remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less. In some instances, a performance fee may also be applied. Details of the fee structures for the Scheme's investment managers are contained in the appendices.
- 10.11. The Trustees believe that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.
- 10.12. The Trustees ask the Scheme's Investment Consultant to assess whether the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered every three years as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

- 10.13. The Trustees acknowledge that portfolio turnover costs can impact on the performance their investments. Overall performance is assessed as part of the regular investment monitoring process.
- 10.14. During the investment manager appointment process, the Trustees consider both past and anticipated portfolio turnover levels. When underperformance is identified deviations from the expected level of turnover may be investigated with investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices.
- 10.15. The Trustees acknowledge that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

Duration of arrangement with asset manager

- 10.16. For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers.
- 10.17. The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment aims, beliefs and constraints is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

11. Agreement

- 11.1. This statement was agreed by the Trustees, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the investment managers, the actuary and the Scheme auditor upon request.

Appendix 1 Investment policy of the Scheme's DB section in relation to the current Statement of Investment Principles dated January 2022

1 Focus DB Section

The Trustees have appointed Legal & General Investment Management to carry out the day-to-day investment of the funds.

The fund managers are authorised and regulated by the Financial Conduct Authority.

The Trustees have appointed Barnett Waddingham LLP to advise on investment matters..

The fee arrangements with the fund managers are recorded separately by the Trustees:

Barnett Waddingham LLP is remunerated on a time-cost basis, or through fixed fees as agreed by the Trustees from time to time.

The Trustees have an AVC contract with Aegon for the receipt of members' Additional Voluntary Contributions and pensionable bonus payments. The arrangement is reviewed from time to time.

Kinds of investments to be held

The Trustees have considered all asset classes and have gained exposure to the following asset classes in respect of the defined benefit assets:

- UK equities;
- Overseas equities;
- Long-dated index-linked gilts;
- Corporate bonds;
- Liability Driven Investment instruments
- Cash

The balance between different kinds of investment and rebalancing

The asset allocation has been agreed following a formal investment review and the results of the Scheme's first actuarial valuation. The asset allocation has also been chosen with reference to the liability profile, expected return of the various asset classes and the need for diversification.

The investment benchmarks and objectives for each fund manager are given in the following table:

Fund	Target performance
Legal & General	
UK Equity Index	FTSE All-Share Index
North America Equity Index	FTSE World North America Index
North America Equity Index – GBP Hedged	FTSE World North America Index on a currency hedged basis
Europe (ex UK) Equity Index	FTSE World Europe (ex UK) Index
Europe (ex UK) Equity Index – GBP Hedged	FTSE World Europe (ex UK) Index on a currency hedged basis
Japan Equity Index	FTSE World Japan Index
Japan Equity Index – GBP Hedged	FTSE World Japan Index on a currency hedged basis
Asia Pacific (ex Japan) Equity Index	FTSE World Asia Pacific (ex Japan) Developed Index
Asia Pacific (ex Japan) Equity Index – GBP Hedged	FTSE World Asia Pacific (ex Japan) Developed Index on a currency hedged basis
Active Corporate Bond – All Stocks	Exceed the iBoxx £ Non-Gilt Index by 0.75% p.a. (before fees) over a three year rolling period
Matching Core Real Short Fund	To hedge a subset of the liabilities of a typical UK pension scheme with respect to changes in interest rates and inflation
Matching Core Real Long Fund	To hedge a subset of the liabilities of a typical UK pension scheme with respect to changes in interest rates and inflation
Sterling Liquidity Fund	To provide diversified exposure and a competitive return in relation to 7 Day LIBID.

All funds except the Active Corporate Bond – All Stocks Fund and the Matching Core Funds are passively managed and their target is therefore to track the performance of the respective index within a specified margin.

The performance of fund managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short term and long term performance.

The Trustees have set the strategic asset allocation as set out in the following table. The Trustees recognise that the allocation to different asset classes will vary over time as a result of market movements. The Trustees may choose to rebalance on an ad hoc basis as they see fit.

Legal & General	Allocation
Equities	35%
UK equities	8.8%
North American equities	4.3%
North American equities (currency hedged)	4.3%
European (ex. UK) equities	4.3%
European (ex. UK) equities (currency hedged)	4.3%
Japanese equities	2.2%
Japanese equities (currency hedged)	2.2%
Asia-Pacific (ex. Japan) equities	2.2%
Asia-Pacific (ex. Japan) equities (currency hedged)	2.2%
LDI portfolio*	25%
Corporate bonds	20%
Sterling Liquidity Fund	20%
Total	100%

*LDI portfolio currently includes the Matching Core Real Short Fund and the Matching Core Real Long Fund.

Investment of new money and realisation of investments

New money is generally invested in proportion to the assets already held but the Trustees keep this policy under review to assess its continued appropriateness. They may therefore decide to invest new money in a different manner in order to effect a change to the asset allocation. Similarly any investments realised to pay benefits will usually be in proportion to the investments held but this may be altered in order to effect a change in allocation or strategy.

Monitoring

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

The AVC arrangement is reviewed from time to time.

Appendix 2 Note on investment policy of the Scheme's DC Sections in relation to the current Statement of Investment Principles dated January 2022

2 Focus DC and Options DC Sections

The Trustees have made available a range of funds to suit the individual needs of the Scheme's members.

These include lifestyle arrangements, whereby a member's assets are automatically invested in line with a pre-determined strategy that changes as the member gets closer to accessing their retirement savings. Emphasis is placed on medium to higher risk funds (i.e. investment largely in growth assets) in search of long-term inflation-protected growth whilst the member is a long way off accessing their retirement savings, switching progressively to protection assets over the years preceding the member's target retirement date so as to protect the purchasing power of the retirement savings. The Trustees have appointed AEGON/Scottish Equitable plc to carry out the day-to-day investment of the funds.

The fund managers are authorised and regulated by the Financial Conduct Authority.

The Trustees have appointed Barnett Waddingham LLP to advise on investment matters in addition to advice received from the fund managers on suitability of investments.

The fee arrangements with the fund managers are summarised in the table below:

Barnett Waddingham LLP is remunerated on a time-cost basis, or through fixed fees as agreed by the Trustees from time to time.

AVC investments in the Options Section are invested in the same way as ordinary contributions.

Default Option

The Trustees acknowledge that members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible to offer a default investment option that will be suitable for all. However, having analysed the Scheme's membership profile, the Trustees decided that the lifestyle arrangements set out below represent suitable default investment options for the majority of members who do not make a choice about how their contributions (and those made on their behalf by the employer) are invested.

The default strategy for most Options Section members (unless otherwise notified) is BlackRock LifePath Flexi.

From June 2018, Options Section members more than five years from retirement were switched to the default option of BlackRock LifePath Flexi unless they requested an alternative. Options Section members less than five years from retirement were switched to the default option of BlackRock LifePath Retirement unless they requested an alternative.

Kinds of investments to be held

The Trustees have considered all asset classes and have gained exposure to the following asset classes in respect of the defined contribution assets:

- UK equities;
- Overseas equities;
- Fixed Interest Gilts;
- Index-Linked Gilts;
- Multi-Asset Pooled Investment Vehicles;
- Cash

LifePath strategies

The Trustees have decided to introduce the LifePath Strategy which is made up of a series of target date funds with varying allocations of the above assets dependant on the member's target retirement date.

A summary of the target of each strategy is summarised in the table below:

Strategy	Target at retirement
BlackRock LifePath Capital range	For members who wish to take their DC pot as cash at retirement
BlackRock LifePath Flexi range	For members who wish to stay invested post-retirement and potentially draw down an income from their DC pot
BlackRock LifePath Retirement range	For members who wish to use all or the majority of their DC pot to purchase an annuity at retirement

The investment benchmarks and objectives for each fund manager are given in the following table:

Fund	Benchmark	Objective
BlackRock		
BlackRock Cash Fund	7 Day LIBID Rate	Aims to produce a return in excess of its benchmark principally from a portfolio of Sterling denominated cash, deposits and money market instruments
BlackRock Diversified Growth Fund	N/A	This Fund targets an investment return of 3.5% above the Bank of England base rate measured over rolling 3 year periods by utilising a multi-asset flexible investment approach. In aiming to achieve the target, this Fund will generally hold a variety of different types of assets at any one time.
BlackRock Index-Linked Gilt Fund	FTA Over 5 Year Index Linked Index	Invests mainly in index-linked UK government bonds and aims to produce a return in line with its benchmark
BlackRock LGIM Global Equity 50:50 Fund	Composite-using FTSE All-World sub-divisions	Invests mainly in UK equities (around 50%) and overseas equities (around 50%). The overseas equities are split between geographical regions in fixed percentages. The fund aims to track the return of its benchmark.
BlackRock LifePath Capital	Composite benchmark	The Fund will gain exposure to global equities, fixed income instruments, property and commodities and may invest in other permitted assets. The allocation will adjust over time nearer the maturity date towards a portfolio of mainly Sterling-denominated short-duration fixed income and cash-like assets.
BlackRock LifePath Flexi	Composite benchmark	The Fund will gain exposure to global equities, fixed income instruments, property and commodities and may invest in other permitted assets. The allocation will adjust over time nearer the maturity date towards a portfolio of approximately 40% equities and 60% fixed income.
BlackRock LifePath Retirement	Composite benchmark	The Fund will gain exposure to global equities, fixed income instruments, property and commodities and may invest in other permitted assets. The allocation will adjust over time nearer the maturity date towards a portfolio of approximately 25% cash and 75% fixed income.
BlackRock Pre-Retirement Fund	50% FTA Over 15 Year Gilt Index and 50% ML £ Non-Gilt AA/AAA Over 15 Year Index	Invests mainly in long-dated UK government bonds (around 50%) and long-dated UK corporate bonds (around 50%) and aims to produce a return in excess of its benchmark
BlackRock UK Equity Optimum Fund	FTSE All Share Index	A more concentrated portfolio of UK stocks than BlackRock's core UK equity funds, this Fund aims to invest in those shares where they have most investment conviction.

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

The Trustees review the suitability of the default strategies and fund range from time to time, taking into account the membership profile and advice from their advisors, and will make changes where they deem appropriate.