Colas (UK) Pension Plan

Chair's Statement

1 April 2022 to 31 March 2023

Contents

01 **Introduction**

£49m

Total defined contribution funds in the Plan as at 31 March 2023

This Governance Statement sets out the information that the Trustees are required to provide by law – namely demonstrating how the Plan's defined contribution pension arrangements meet the governance standards that came into effect from 6 April 2015. It covers the period from 1 April 2022 to 31 March 2023.

With effect from 1 April 1996, only one DC section of the Plan is open to new Members on a voluntary basis (known as the 1996 Category). From 1 September 2013, a new 2013 Category was introduced to automatically enrol any eligible employees who do not join the 1996 Category. This Plan is a qualifying workplace pension scheme and has a Final Salary category.

This Statement is in respect of the DC categories and AVCs in respect of Final Salary category members, i.e. the 'DC Section' of the Plan.

A copy of this statement can be found online at: https://www.colas.co.uk/pension-plan-sip/

01.01 Governance and Queries

The Trustees are committed to having high governance standards and meet regularly to monitor the controls and processes in place in connection with the Plan's investments and administration.

I welcome this opportunity to explain what the Trustees do to help ensure the Plan is run as effectively as it can be. If you have any questions about anything that is set out, or any suggestions about what can be improved, please do contact the Scheme Administrator.

I, Antony Charles Gray was appointed as the Chair of the Trustees, and I am signing this Statement in that capacity.

02 Default Investment Strategy

Statement of Investment Principles (SIP)

A copy of the SIP, which sets out the objectives for the Plan's investment strategy, can be found appended to this statement.

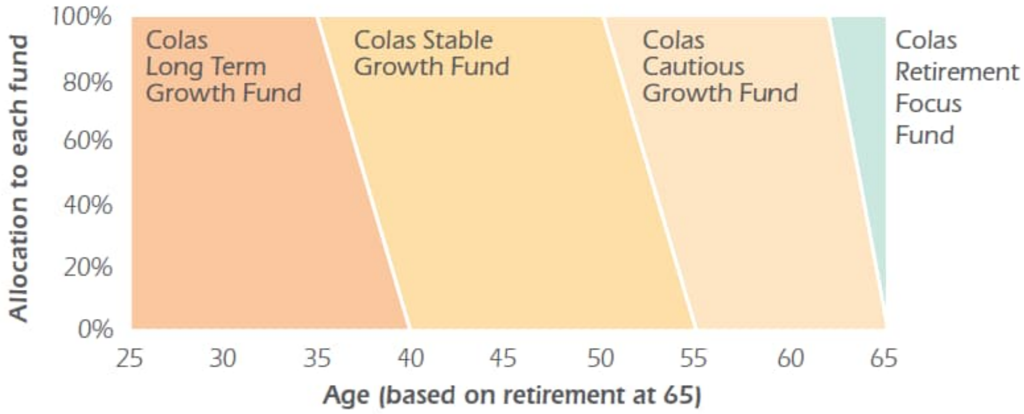
A default arrangement is a type of fund that members of a pension scheme are invested in if they don't choose a fund when they join their scheme.

The investment of pension fund assets is often a long-term exercise. The common aim is to have long-term growth which is higher than inflation for most of the time up to retirement. However, the investments most likely to give good long-term returns tend to change in value, sometimes by quite large amounts, and sometimes over quite short periods of time.

To try to reduce the effect of short-term changes in the value of the benefits that a member can take using their DC fund at retirement, the Trustees have arranged a lifestyle option to form the default arrangement for any members who do not choose to invest their DC fund in a different way.

The default arrangement described in this Governance Statement is that which was in place as at 31 March 2023 and is the only default available under the Plan. This was last formally reviewed 21 February 2017, after which a change to the default fund was implemented with effect from June 2017. When carrying out this review, the Trustees took into account the impact on different groups of members. Details of the changes are set out later in this Statement. The default arrangement was not reviewed during this reporting period.

Over the longer term, funds containing a large proportion of company shares (equities) have generally outperformed other types of investment in the past. A lower expected risk can be achieved by diversifying the investments and having a spread of investment types. The default option has four sections, called Blend Funds, each of which has a different investment aim. The allocation of a member's DC fund between the Blend Funds automatically changes as they approach retirement to reflect their changing risk and return requirements. For someone intending to retire at their Normal Retirement Date (assuming a Normal Retirement Age of 65), the transition between the Blend Funds would be as follows:



02.01 Reviewing the default investment arrangements

The Trustees are expected to review the investment strategy and objectives of the default investment options at regular intervals.

The most recent formal strategic review commenced in 2017.

As required under legislation, a full review is carried out at least every 3 years. The Trustees did not comply with this legislation as the last formal strategic review was completed in 2017. However, during the reporting period the Trustees did undertake a further partial review which looked into the long-term arrangements of the Plan (further details of the outcome of that review can be found at the end of this section).

In 2017, the Trustees reviewed the Default Investment Option and current self-select options to ensure that the investment options remain appropriate for the membership of the Plan.

Following the review, the default fund was updated to change the targeted outcome from Annuity to be open to multiple options. The default investment is a lifestyle strategy utilising four blended funds, each with a different investment aim. Designed for members taking 25% as a cash lump sum, with the remaining 75% being used to take benefits in other forms, the default does not aim to give the highest return but protect the level of benefits on retirement from investment falls or crashes and fully lifestyles to a chosen Target Retirement Date or Normal Retirement Date.

The Trustees also looked at the level of risk and number of investment funds offered to members, changing long-term investment market conditions and the investment products and techniques available in the marketplace. It also included analysis of the fund returns against their benchmarks and consideration of general market trends.

During the period covered by the Statement, the Trustees have continued to monitor the performance of the underlying funds in the default arrangement against the aims and objectives set out in the Statement of Investment Principles (SIP). The Trustees believe they no longer continue to meet these aims.

As a result of this, a further review which looked into the long-term arrangements of the Plan was undertaken in the reporting period. This review concluded that future DC provision of the Plan should be provided by a Master Trust arrangement. As a result accrual under this Plan ceased with effect from 30 June 2022 with the active members joining the L&G Master Trust with effect from 1 July 2022. The transfer project was concluded in May 2023 with members Personal Funds (in relation to contributions paid up to 30 June 2022) being transferred to the L&G Master Trust.

03 Net returns, charges and transaction costs

03.01 Net returns

Changes to legislation introduced in October 2021 require trustees of relevant occupational pension schemes to report on the net investment returns for the default arrangement(s) and for each fund which Plan members are, or have been able to, select, and in which Plan members are invested during the Plan year.

Net investment returns refer to the returns on funds after the deduction of all transaction costs and charges and including them in this statement is intended to help members understand how their investments are performing. More details of this are set out in Appendix A.

03.02 Fund Performance

The Trustees have selected a range of funds which they believe to be appropriate for members of the Plan. The funds are managed by Mobius and Old Mutual Wealth.

Schroder's provide the Trustees with quarterly investment performance information to monitor the Default Investment, which it reviews and challenges in Trustee meetings. The Trustee Board raises performance questions directly with the investment providers.

This table shows how the Default option and self-select funds have performed for members over the last one and five years, with a target retirement date of 65.

Fund Type	1 Year Return		3 Year Returns		5 Year Returns	
	Fund (%)	Benchmark (%)	Fund (%)	Benchmark (%)	Fund (%)	Benchmark (%)
Long Term Growth	-6.4	15.5	8.1	11.0	4.6	9.3
Stable Growth	-6.4	14.4	7.1	10.0	3.8	8.3
Cautious Growth	-6.1	13.4	4.9	9.0	3.2	7.2
Retirement Focus	-9.1	-1.7	-1.2	0.6	0.2	2.1
Cash Fund	2.2	2.9	0.7	1.1	0.7	0.7
Annuity Focus Fund	-27.4	-26.3	-8.3	-7.4	N/A*	N/A*

*Fund introduced during 2018/19 Plan year

(Source: Schroders)

03.03 Investment Manager Charges

Members may self-select their investment strategy, investing in any of these funds in whatever proportions they choose

The Trustees have selected a range of funds which they believe to be appropriate for members of the Plan. The funds are managed by Mobius and Old Mutual Wealth.

The funds available are "actively managed" which make regular trades to try and achieve excess returns over passively managed funds. Members may self-select their investment strategy, investing in any of these funds in whatever proportions they choose. Alternatively, if they do not make a choice, their funds will be invested in the default investment option.

The charges and other expenses applied to the default investment option (which are averaged across the membership based on the split of their investments), along with the self-select funds available to members during the Plan year, were:

Fund Type	TER (%)
Long Term Growth**	0.54%

Stable Growth**	0.59%
Cautious Growth**	0.57%
Retirement Focus**	0.29%
Cash Fund	0.16%
Annuity Focus Fund	0.30%

*OCF/TER for the year ending 31 March 2023 for each fund invested

*Member-borne charges for the default arrangement comply with the charge cap of 0.75%

*Funds that make up part of the default arrangement are indicated with "**"

*Due to the lifestyle approach of the default arrangement, charges and transaction costs vary based on members' proximity to their target retirement date.

*Source: Schroders

Members may select any of the funds above and switch between these options should they wish.

Transaction costs are costs associated with buying and selling of investments and include for example stamp duty and brokerage fees. Transaction costs are incurred when contributions are invested, on switching between funds and when selling investments to take benefits. The following table indicates transaction costs incurred by each of the funds available for investment over assessment periods monitored by the investment manager:

Fund Type	Transaction Costs (%)				
	2022-2023	2021-2022	2020-2021	2019-2020	2018-2019
Long Term Growth	0.21	0.13	0.08	0.00	0.11
Stable Growth	0.19	0.13	0.04	0.17	0.10
Cautious Growth	0.15	0.09	0.03	0.05	0.08
Retirement Focus	0.18	0.04	0.00	0.02	0.02
Cash Fund	0.01	0.02	0.01	0.01	0.00
Annuity Focus Fund	0.34	0.00	0.00	0.00	N/A

*(Source: Schroders)

*Where a transaction cost of 0.00% is showing, this is due to the fund transacting a net revenue (i.e. a negative transaction cost).

Additional Voluntary Contributions

In addition to the funds set out above, a very small number of members have Additional Voluntary Contributions (AVC's) that are currently invested with Utmost. Fund information for the period of the report (1 April 2022 to 31 March 2023) were not available at the time of writing. These have been requested from Utmost, and the Trustee will continue to follow up with Utmost to secure this data. These AVC's were included as part of the Master Trust transition.

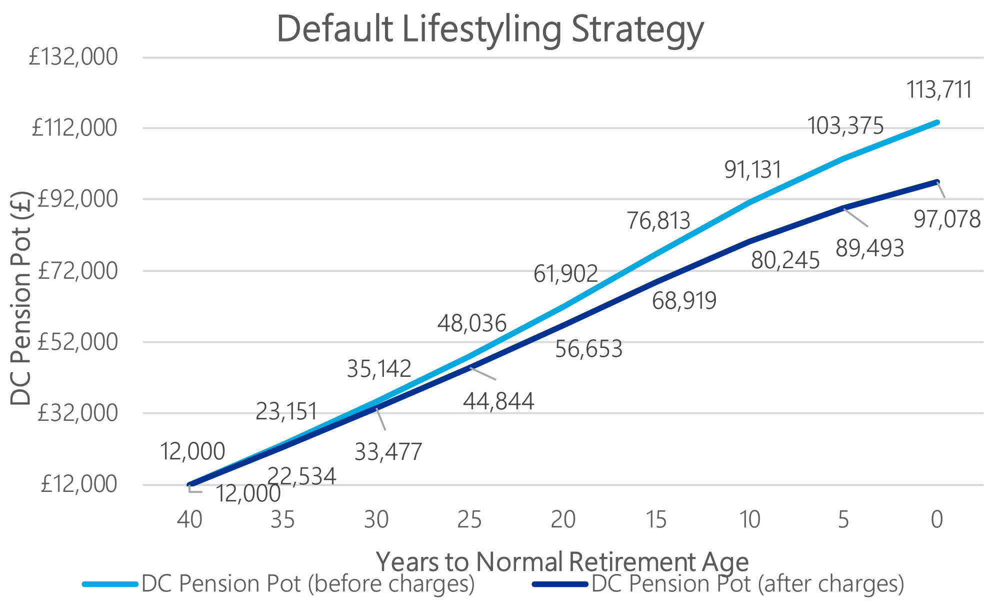
03.04 Administration Charge

The Company will meet the administration costs (but not the investment costs) of the Plan.

03.05 An illustration of the charges levied on members

The Trustees are required to produce an illustration of the cumulative effect of the costs and charges on members' retirement fund values as required by the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018.

Below you can find an illustration of the effect of the Total Expense Ratio and transaction costs met by members. The below is an example pension pot, invested in the default investment strategy, and is in real money terms, taking into account the effect of inflation. Further information is in Appendix A.



Please note that this is for illustration purposes only. The actual returns received are likely to differ over time, as will individual member pension pot sizes. This illustration is based on:

> An initial pension pot of £12,000 – which is the average pot size in the period

> Contributions of 8% throughout the period, on earnings of £12,000 pa.

> Investment returns estimated as 5.00% pa (gross of charges) for the Long-Term Growth Fund in which all monies are invested until 35 years before the member's Normal Retirement Date.

> Investment returns estimated as 4.00% pa (gross of charges) for the Stable Growth Fund, 3.00% pa (gross of charges) for the Cautious Growth Fund and 1.00% pa (gross of charges) for the Retirement Focus Fund.

- Inflation of 2.5% pa and salary increases of 2.5% pa.
- The expected returns, salary increase and inflation assumptions have been set taking into account the guidance in the Financial Reporting Council's Actuarial Standards Technical Memorandum 1.

  *(Source: data and figures provided by Schroders)

03.06 What are the assumptions based on?

In preparing these illustrations, the Trustees have had regard to:

- The Department for Work and Pensions' 'Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes';
- Actuarial Standards Technical Memorandum 1 (AS TM1 v4.2) issued by the Financial Reporting Council; and
- The Financial Conduct Authority (FCA) Transaction cost disclosure in workplace pensions Policy Statement PS17/20.

04 **Core financial transactions**

04.01 Assessing Core Transactions

During the year, the Trustees ensured the requirements of Regulation 24 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 were met and that the Plan's core financial transactions were processed promptly and accurately by:

> having agreements in place with XPS Administration Limited and Utmost (as "Scheme Administrators" or "Administrators), committing them to defined service level agreements ("'SLAs"'). Amongst other matters, this covers the accuracy and timeliness of all core financial transactions;

> having XPS Administration Limited report on their performance against the SLAs above as a means of monitoring that the SLA requirements are being met and to cover what they do to ensure no issues arise; and

> having the Plan auditor independently test a sample of financial transactions for accuracy and timeliness as part of the annual audit process.

Where any error or issue is identified, the Trustees take appropriate steps to resolve and take action as required. We can confirm there were a few member complaints made by members to the Trustees of the Plan over the reporting period. All of these complaints were addressed and rectified within the reporting period. As part of the journey-planning, a risk register is maintained in order minimise the occurrence of any issues and to understand any root cause.

The core financial transactions include:

> **The investment of contributions** - The Scheme Administrator monitors the payment of contributions to the Plan by the Company, ensuring that these are paid within statutory timescales. Any late payment outside these timescales is reported directly to the Trustees and appropriate action taken. The settlement of all DC funds is actioned promptly by the Administrator and the Trustees monitor the service standards of the Administrator.

> **The transfer of assets relating to members into and out of the Plan** – The Administrator maintains and reconciles comprehensive records of individual member's contributions and fund values. Contributions are invested within 5 working days of receipt. Any investments withdrawn or transferred to another scheme are processed within 12 working days following receipt of all relevant paperwork, subject to any investigations required where there is evidence of a pensions scam.

> **Monitoring of bank accounts** – There is a dedicated contribution processing team, checking investment and banking transactions.

> **Payments to members** – All payments out of the Plan in respect of members' benefits are made in line with standard checks. This includes agreed processes and authorisation levels to ensure any payment made is calculated correctly and in line with the Plan rules and legislation and also complies with HMRC rules and guidance. In addition, every effort is made to check for possible pension scams.

Noting the requirement for accurate member data to process contributions and payments correctly, the Trustees are taking steps to continually review and where necessary, correct any problems with the member data which is held by the Scheme Administrator. This is reported each year to the Pensions Regulator in the online scheme return.

05 **Value for Members**

05.01 Assessment of Value

The Trustees review all sources of fees levied on members' accounts (including management charges, additional expenses and platform charges as appropriate) to ensure value for money is present. The Trustees consider, among other items, the absolute level of charges, the competitiveness of the Plan's charges relative to the marketplace and the levels of service provided to members.

A formal value for members review was carried out, in relation to the arrangement effective at 31 March 2023. The review concluded that the long-term growth phase of the default arrangement attracts a total expense ratio (TER) of 0.75% per annum of assets, reducing for the stable growth phase, the cautious growth phase and then the retirement protection phase where it reduces to 0.47% per annum. So the overall charges are lower than the maximum allowed of 0.75%.

To ensure value for members, the Trustees investment advisers have assessed and concluded that the Trustees have effective processes and policies in place to ensure the following:

- Promptness and accuracy of core financial transactions;
- Quality of record keeping;
- Appropriateness of the default investment strategy;
- Quality of investment governance;
- Appropriate level of trustee knowledge, understanding and skills to operate the pension scheme effectively;
- Quality of communication with Plan members; and
- Effectiveness of management of conflicts of interest.

Overall, the Trustees' assessment shows that the Plan offers value for money and, in any case, value for members is expected to increase further with the switch to the L&G Master Trust which was introduced from 1 July 2022 for future service and fully effective from May 2023.

06 Trustee Knowledge and understanding

06.01 Knowledge and understanding of the Trustees

The Trustees are satisfied that it has complied with the knowledge and understanding requirements set out in section 248 of the Pensions Act 2004.

The Trustees have knowledge of the law relating to pensions and trusts, principles of investment and the requirements for funding a pension scheme. This is evidenced by the Trustees' interaction with its advisers as shown in the Trustee Meeting minutes, and the governance framework established by the Trustees.

The Trustees have exercised their discretions and powers in line with the Trust Deed and Rules, current legislation and, where required, legal advice has been taken, demonstrating its working knowledge of the Plan's Trust Deed and Rules.

06.02 Trustee Training

External training is offered, use of the Pensions Regulator's (TPR's) online Trustee Toolkit is encouraged, and trustees attend external seminars and updates. Any new trustee would be expected to carry out this training and be fully conversant with the Plan's documentation within six months. Trustees are regularly polled regarding the training that they would find most valuable and to identify any gaps in knowledge.

The Trustees' advisors usually provide in-meeting training on new legislation and literature published by TPR relating to its Codes of Practice, in particular Code of Practice no. 13. However, due to the Master Trust transition project, no additional DC training was undertaken in the reporting period.

Trustees are expected to complete the Trustee Toolkit in addition to making use of a team of expert advisers including Investment advisers, representatives from the third-party administrator, and other experts including legal advisors regularly attend meetings of the Trustees. There has been no formal training undertaken during the Plan year due to the ongoing Master Trust transition project.

06.03 Conclusion

As a result of the training activities completed by the Trustees (both individually and collectively), and taking into account the professional advice available, I am confident that the combined knowledge and understanding of the Trustees have enabled them to properly exercise their function.

07 **Conclusion**

The annual production of this Statement provides members with a narrative of how the Trustees look after members' interests, especially in the areas of the five key elements within this Statement listed below.

> Default investment strategy

> Charges and transaction costs

> Core financial transactions

> Providing Value for Members

> Trustee Knowledge and Understanding

The Trustees will continue to monitor these key areas and report to members both via the annual Chair's Statement and other communications as appropriate. In conclusion, with the continual monitoring and the reviews detailed here, I am pleased to be able to submit this report in accordance with the Chair's Statement requirements. I believe that the Plan was operated and governed appropriately during the reporting period.

Signature	Date
	**31 October 2023**

Name	Qualification
Antony Charles Gray	Chair of the Trustees Colas (UK) Pension Plan

Appendix A Projections

A.01 Projection assuming future contribution

Below is an illustrative example of the cumulative effect over time of the application of charges and costs on the value of a member's DC pot size. The example outlines the effects of fund charges and frictional transaction costs across the Plan's fund range.

Projected pension pot, in today's terms										
Years	Default Lifestyle		Long Term Growth Fund		Stable Growth Fund		Cautious Growth Fund		Retirement Focus Fund	
	Gross of all charges	Net of TER and frictional transaction costs	Gross of all charges	Net of TER and transaction costs	Gross of all charges	Net of TER and transaction costs	Gross of all charges	Net of TER and transaction costs	Gross of all charges	Net of TER and transaction costs
1	£14,900	£14,800	£14,900	£14,800	£14,700	£14,600	£14,600	£14,500	£14,300	£14,300
3	£20,600	£20,300	£20,600	£20,300	£20,100	£19,800	£19,600	£19,300	£18,700	£18,500
5	£27,000	£26,300	£27,000	£26,300	£26,000	£25,300	£25,000	£24,400	£23,200	£22,900
10	£46,200	£44,300	£46,200	£44,300	£43,200	£41,100	£40,300	£38,600	£35,200	£34,400
15	£70,700	£66,300	£71,300	£67,000	£64,600	£60,200	£58,600	£55,000	£48,400	£46,900
20	£98,800	£90,700	£103,600	£95,500	£91,100	£83,100	£80,300	£74,000	£62,800	£60,300
25	£133,200	£119,400	£145,400	£131,400	£123,900	£110,600	£105,900	£95,900	£78,500	£74,800
30	£174,000	£152,500	£199,000	£176,200	£164,200	£143,500	£136,200	£121,100	£95,600	£90,300
35	£216,300	£185,800	£267,900	£232,200	£213,800	£182,600	£171,900	£150,000	£114,200	£107,000
40	£264,200	£222,500	£355,900	£301,900	£274,500	£229,100	£213,900	£183,000	£134,500	£125,000

Projected pension pot, in today's terms				
Years	Annuity Focus Fund		Cash Fund	
	Gross of all charges	Net of TER and transaction costs	Gross of all charges	Net of TER and transaction costs
1	£14,100	£14,000	£14,200	£14,200
3	£17,900	£17,700	£18,400	£18,400
5	£21,700	£21,400	£22,700	£22,600
10	£31,400	£30,700	£34,100	£33,700
15	£41,300	£40,000	£46,200	£45,400
20	£51,400	£49,300	£59,100	£58,000
25	£61,800	£58,800	£73,000	£71,300
30	£72,400	£68,400	£87,900	£85,400
35	£83,200	£78,100	£103,800	£100,500
40	£94,400	£87,900	£120,700	£116,400

Notes:

- Values shown are estimates and are not guaranteed;
- Transaction costs are reflected as at 31st March 2023;
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation;

Appendix A Projections

- Assumes inflation of 2.5% per annum;
- Assumes charges in future years are equal to charges today (transaction costs are shown in the table above);
- Assumes a member is aged 25 years old now and stops contributing at age 65;
- Assumes an overall contribution rate of 8% of annual salary;
- Assumes a starting pot size of £12,000;
- Assumes a member salary of £25,000 in Year 0, increasing at 1% per annum above inflation.
- Figures are rounded to the nearest £100.
  *(Source: data and figures provided by Schroders)

The accumulation rates used, as set out below, are calculated in line with Actuarial Standard Technical Memorandum (AS TM1), the same document which governs the calculation of projections on annual benefit statements. The real accumulation rate assumptions used are shown below. **Please note that SMPIs for the 2022/23 Plan year have not been produced given the transition of the Plan to the Legal and general Master Trust over Q2 2023, so the 2021/22 SMPIs have been used. Further details are shown below.**

	Fund	Real accumulation rate per annum (gross of charges)
Default Lifestyle Funds	Long Term Growth Fund	5.0%
	Stable Growth Fund	4.0%
	Cautious Growth Fund	3.0%
	Retirement Focus Fund	1.0%
Self-Select Funds	Annuity Focus Fund	-0.7%
	Cash Fund	0.5%

Sources: SMPIs (XPS as at 31st March 2022), Schroders Solutions (calculations, as at September 2023)

These illustrations reflect an average of the last 5 years of transaction costs, with the exception of the Annuity Focus fund which was introduced to the Plan 4 years ago (statutory guidance states that an average of the last 5 years of transaction costs should be used if possible, but this data was not available[1]). The frictional transaction costs and total expense ratios used in the calculations are set out below.

	Fund	5 Year Average Transaction Cost	Total expense ratio p.a. as at 31 March 2023
Default Lifestyle Funds	Long Term Growth Fund	0.092%	0.54%
	Stable Growth Fund	0.127%	0.59%
	Cautious Growth Fund	0.082%	0.57%
	Retirement Focus Fund	0.050%	0.29%
Self-Select Funds	Annuity Focus Fund	0.066%	0.30%
	Cash Fund	0.011%	0.16%

Source: Mobius Life (transaction cost data and total expense ratio data as at March 2023). Schroders Solutions (calculations, as at September 2023)

The above illustration has been prepared with due regard to the Department for Work and Pensions' guidance ("Cost and charge reporting: guidance for trustees and managers of occupational schemes"), published in October 2021.

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1 https://www.gov.uk/government/publications/reporting-costs-charges-and-other-information-guidance-for-trustees-and-managers-of-occupational-pension-schemes/reporting-of-costs-charges-and-other-information-guidance-for-trustees-and-managers-of-occupational-schemes-effective-from-1-october-2021

Contact us

xpsgroup.com

Colas (UK) Pension Plan – DC Section

Statement of Investment Principles

September 2020

Version Update

Version	Effective From
1.0	August 2019
2.0	September 2020

Table of Contents

1 Introduction

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 for the Colas (UK) Pension Plan ('the Plan'). It describes the investment policy being pursued by the Trustees of the Plan and is in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK ('the Myners Principles'). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005 and the Pension Regulator's Code of Practice for DC Schemes issued in November 2013.

The Scheme Actuary is Mofozul Ali of Xafinity Punter Southall, the Investment Adviser is River and Mercantile Solutions ('R&M Solutions') and the Legal Adviser is TLT LLP (collectively termed 'the Advisers').

The Trustees confirm that, before preparing this SIP, they have consulted with Colas Limited ('the Principal Employer') and the Scheme Actuary and have obtained and considered written advice from the Investment Adviser. The Trustees believe the Advisers to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge of the investment arrangements that the Plan requires.

The Trustees are responsible for the investment of the Plan's assets and arrange administration of the Plan. Where they are required to make an investment decision, the Trustees always receive advice from the relevant Advisers first and they believe that this ensures that they are appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000 ('FSMA'), the Trustees set general investment policy, but have delegated the day-to-day investment of the Plan's Defined Benefit ('DB') assets to the Total Investment Governance Solution ('TIGS') service of River and Mercantile Investments Limited, hereafter referred to as the 'Investment Manager'. The DB Section of the Plan is closed to new entrants. The Investment Manager is authorised under the FSMA and provide the expertise necessary to manage the investments of the Plan.

1.1 Declaration

The Trustees confirm that this Statement of Investment Principles reflects the investment strategy they have implemented for the Plan. The Trustees acknowledge that it is their responsibility, with guidance from the Advisers, to ensure the assets of the Plan are invested in accordance with these Principles.

Signed .... **Date** 8/10/2020

For and on behalf of the Trustees of the Colas (UK) Pension Plan.

2 Plan Governance

The Trustees are responsible for the governance and investment of the Plan's assets. They consider that the investment structure set out in this SIP is appropriate for the Plan, as it allows the Trustees to make the important decisions on investment policy, while delegating the day-to-day aspects to the Underlying Managers, the Fiduciary Manager, the Platform Manager or the relevant Advisers as appropriate. The responsibilities of each of the parties involved in the Plan's governance are detailed in ***Appendix A***.

The Trustees believe that they should be collectively involved in the investment decision-making and have therefore decided not to appoint an Investment Sub-Committee to deal with investment matters.

The Trustees maintain a Statement of Investment Arrangements ("SIA") which sets out the specifics of investment implementation. This document is referred to later in this SIP.

3 Investment Objectives

In setting investment objectives, the Trustees recognise that members will have differing investment needs and tolerances for risk, which may change over time. The Trustees also take into account the expected level of investment expertise among members, the likelihood of members seeking professional advice in respect of their investment choices and the resulting risk of inappropriate decision-making by members.

The Trustees' objectives are therefore to:

- provide a suitable and understandable range of investment options for members, with appropriate investment guidelines, target returns and risk (where risk is measured by fluctuations in returns and the level of any falls in value);
- provide a default option that takes an appropriate level of risk on behalf of the member in pursuit of growth, according to their age and/or planned retirement date; and
- ensure contributions payable by the employers and members are invested in accordance with the options selected by members.

4 Default Investment Strategy

The Trustees have made available to members a default strategy.

4.1 Aims and Objectives of the default strategy

The Trustees' aims and objectives in relation to the default strategy are to support members' investment needs where members either choose the default option or do not choose any option. Broader aims and objectives in relation to the default strategy are set out in Section 3, titled "Investment Objectives".

4.2 Trustees' Policies in relation to the default strategy

i. **The kinds of investment to be held and balance between them**

The kinds of investments within the default strategy and balance between them are designed to be adequately diversified and suitable. See sections 5.3, "Diversification" and 5.4, "Suitability" for more details.

ii. **Risks (including the ways in which risks are to be measured and managed)**

Risks applicable to the Plan as a whole are shown in Section 9, titled "Risks". All of the risks shown, including how they are measured and managed, are relevant to the default strategy.

iii. **Expected return on investments**

The Trustee's policy on expected return is considered in SIA, which covers both the default strategy and the investment strategy as a whole.

iv. **Realisation of investments**

Funds used within the default strategy are unitised, pooled funds which are dealt daily.

v. **Financially material investment considerations considerations and non-financial matters**

The extent to which the Trustee considers financially material considerations and non-financial matters, including, but no limited to, social, environmental or other ethical issues is shown in Section 10, "Other Considerations".

vi. **Corporate governance and stewardship policy**

The Trustee's policy in respect of these considerations is shown in Section 10, "Other Considerations".

4.3 Best interests of members and beneficiaries

In designing the default strategy, the Trustees carried out a comprehensive review of the previous investment strategy, in conjunction with the Investment Adviser, focusing on member needs and outcomes, and cognisant of the impact of their policies, aims and objectives.

Following this review, the Trustees selected the combination of aims and objectives within the default, and their policies in order to achieve an investment strategy which it believes is in the best interests of relevant members and beneficiaries. This belief is supplemented by undertaking regular (at least triennial) investment strategy reviews of the default strategy, investment governance (at least quarterly) and value for member reviews (in conjunction with the advisers).

5 Investment Strategy

Having considered advice from the Investment Adviser, and also having due regard for the objectives and the members of the Plan, the Trustees have made available a number of investment options. Members can choose to invest their contributions in one or more of these investment options, or may rely on the default strategy, detailed in SIA.

The Trustees will ensure that each member's investments are invested in accordance with the fund options selected by the member.

5.1 Investment Options

The investment strategy involves a default lifestyle arrangement and a range of funds available on a self-select basis. These are detailed in the SIA.

5.2 Performance Objectives

The performance objectives vary by fund. A detailed breakdown of fund objectives is provided in the SIA.

5.3 Diversification

The choice of investment options for members is designed to ensure that members are able to choose investments that are adequately diversified and suitable for their profile. The Trustees monitor the strategy regularly to ensure that they are comfortable with the choice of funds offered to members.

5.4 Suitability

The Trustees have taken advice from the Investment Adviser that the range of investment options offered to members is suitable. Members are responsible for choosing which of the self-select funds is most appropriate or choosing to rely on the default strategy for the investment of their own and their employer's contributions, based on their own individual circumstances.

5.5 Active and Passive Management

The Trustees invest in a combination active and/or passive fund options, which is in part determined by the range of Underlying Managers offered by the Platform Manager. These managers are selected by the Fiduciary Manager.

5.6 Review

The Trustees will review, in conjunction with the Investment Adviser, any investment option offered to members that either underperforms its benchmark over a significant timeframe or carries a level of risk which may be thought to be unreasonable in the context of the Plan's investment objectives. Each investment option is monitored on a quarterly basis within the governance report and the suitability of the self-select fund range is regularly reviewed.

6 Strategy Implementation

6.1 Investment Arrangements

The Trustees have appointed Mobius Life Limited ("**Mobius**") as the Platform Manager to provide the Platform for member investments. Mobius will provide services related to transition execution and the creation of insured funds, with ongoing administration of funds (including blended funds) at an overall Plan level.

R&M Solutions are employed by the Trustees as Fiduciary Manager to provide investment and management services, as defined in the Fiduciary Management Agreement ("FMA") agreed between the Trustees and R&M Solutions. R&M Solutions must provide the Trustees with formal investment advice as required by Section 36 of the Pensions Act 1998.

The Trustees have selected a range of investment options for the members of the Plan. Full details are listed in the SIA.

6.2 Administrator

Administration of member data is provided to the Trustees by XPS Administration.

6.3 Fund Options

The range of funds offered to members was chosen to give members a suitable and understandable range of investment options from which they can select according to their individual circumstances both within the default arrangement and self-select range. The funds available to members are detailed in the SIA.

6.4 Investment of Contributions

A member's contributions will be invested in line with their selected choice of funds. Where a member has not made an active selection, their contributions will be invested in the default fund provided, which is detailed in the SIA.

6.5 Transitions

The Trustees, in conjunction with their advisers, will look to mitigate the potential risks and costs to members as a result of any investment transitions to the best of their ability.

7 Monitoring

7.1 Managers

The Trustees, or Advisers on behalf of the Trustees, will monitor the performance of the default strategy and self-select funds against their own or the Trustees' own specified benchmarks.

The Trustees will regularly review the activities of the Fiduciary Manager to satisfy themselves that the Fiduciary Manager continues to carry out its work competently and has the appropriate knowledge and experience to provide fiduciary management services to the Plan.

As part of this review, the Trustees will consider whether or not the Fiduciary Manager:

- Is carrying out their work competently. The Trustees will evaluate the Fiduciary Manager based on, amongst other things:
    - The default strategy and self-select funds' performance versus their respective benchmarks.
    - The level of risk within the portfolios given the specified risk tolerances.
    - Has regard to the suitability of each investment and each category of investment.
    - Has been exercising their powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical.

If the Trustees are not satisfied with the Fiduciary Manager, they will ask the Fiduciary Manager to take steps to rectify the situation. If the Fiduciary Manager still does not meet the Trustees' requirements, the Trustees will remove the Fiduciary Manager.

7.2 Advisers

The Trustees will monitor the advice given by the Advisers on a regular basis.

7.3 Statement of Investment Principles

The Trustees will review this SIP at least triennially, or as soon as is practical following any changes to the investment strategy, and modify it with consultation from the relevant Advisers and the Employer if deemed appropriate. There will be no obligation to change this SIP, the Fiduciary Manager, Platform Manager or Adviser as part of such a review.

7.4 Trustees Recordkeeping

The Trustees maintain a record of all investment related decisions they have taken, together with the rationale in each case.

8 Fees

8.1 Managers

Fees are charged as a proportion of the size of assets invested. The charges have been negotiated and will continue to be reviewed regularly. Details of the fund charges are set out in the SIA.

8.2 Advisers

R&M Solutions charges fees in respect of the funds offered as a proportion of the assets invested. These fees are deducted from assets at the rates set out in the SIA.

Otherwise, fees paid to the Advisers are based either on actual time spent and hourly rates for relevant individuals, unless the Trustees and the Advisers agree alternative arrangements in advance.

8.3 Custodian

There is no custodian appointed directly by the Trustees.

8.4 Value for Members

The Trustees review all sources of fees levied on members' accounts (including management charges, additional expenses and Platform charges as appropriate) to ensure value for members is present. The Trustees consider, among other items, the absolute level of charges, the competitiveness of the Plan's charges relative to the marketplace and the levels of service provided by each of the Advisers.

9 Risks

The Trustees recognise a number of key risks to themselves and to the members of the Plan:

i. **Value for Members Risk** – the risk that the Plan fails to offer value for money to members. This is addressed through regular review of the charges levied on member's assets.

ii. **Inflation Risk** – the risk that the purchasing power of their investment account is not maintained. To try and manage this risk, the Trustees have offered a range of funds designed to achieve a return above the rate of inflation.

iii. **Conversion risk –** the risk that the value of pension benefits that can be obtained is not maintained as retirement approaches, due to a member's assets not being suitably matched with their retirement objective. This risk is currently addressed in part within the default option, where the 'at-retirement' asset allocation reflects the three retirement income options of encashment, annuity purchase and income drawdown. Members may also self-select from the available fund range to match a particular retirement income decision.

iv. **Capital Risk** – the risk that the value of the element to provide a tax-free cash sum is not maintained. To try and mitigate this risk, the Trustees have offered a range of funds designed to achieve a return above the rate of inflation.

v. **Active Manager Risk** – the risk that the active investments underlying the Plan's investment options underperform. The Trustees have mitigated this risk by delegating fiduciary responsibilities to the Fiduciary Manager. The Fiduciary Manager utilises a wide range of funds, diversified across asset classes, sub asset classes and Underlying Managers to reduce the active manager risk.

   This risk also relates to underperformance arising from underperformance of the Fiduciary Manager in its delegated duties. The Trustees mitigate this risk through frequent performance monitoring and governance.

vi. **Platform Risk** – the assets are currently held by the Platform Manager. This risk relates to potential losses that could arise if the Platform Manager ran into financial difficulties. The Trustees carried out a comprehensive platform review to ensure they were comfortable with the choice of Platform Manager. The Trustees continue to monitor the Platform Manager to ensure they remain comfortable.

vii. **Communication Risk** – the risk that communication to members is misleading or unclear and leads to inappropriate decisions being made. This is addressed through the Trustees receiving advice from the Advisers and regular monitoring and updates, where appropriate, of member communications.

viii. **Inappropriate Member Decision** – the risk that members make inappropriate decisions regarding their investments. This is addressed where possible through communication to members and the recommendation that members seek independent financial advice. The Trustees have also offered a default fund with a "Lifestyling element" designed to phase members into lower risk and annuity price matching investments as they approach retirement.

ix. **Organisational Risk** – the risk of inadequate internal processes leading to problems for the Plan. This is addressed through a regular monitoring of the Advisers.

x. **Liquidity Risk** – the risk that members are not able to realise the value of their funds when required. The Trustees have addressed this risk by only offering funds which are considered liquid.

xi. **ESG risks –** the risk of adverse performance due to ESG related factors including climate change. This is addressed by ESG assessment at the point of investment with the Managers where applicable, or by requesting information on the ESG policies, adopted by the Managers.

The importance of each risk varies with time. Inflation is important throughout the whole period to retirement whereas pension purchase risk and capital risk become significant as retirement approaches.

The Trustees have provided a default option that aims to address the above risks through a member's life. R&M Solutions may vary the underlying asset allocation and Underlying Managers within this option from time to time in response to changing market conditions and Underlying Manager developments. This may include the use of derivatives.

The Trustees also provide members with a self-select fund range into which they may direct their contributions so as to allow each member to determine the appropriate mix of investments based on their own attitude to risk, terms to retirement and investment objective. The Trustees recognise the options they have selected are subject to underperformance risk. This is addressed through providing options with appropriate diversification and through regular monitoring of the active managers' performance, processes and capabilities with respect to their mandate, as well as by the use of more than one manager to avoid over exposure to one organisation.

The Trustees recognise that an efficient process for identifying, evaluating, managing and monitoring risks needs to be in place for the Plan. The Trustees will identify and assess the impact of any risk, what controls can be put in place to manage the risk and review both the individual risks and the effectiveness of the risk management process as a whole.

The Trustees will keep these risks and how they are managed under regular review.

10 Other Considerations

10.1 Corporate Governance and Stewardship Policy

The Trustees and Fiduciary Manager have agreed, and will maintain, formal agreements setting out the scope of the Fiduciary Manager's activities, charging basis and other relevant matters. The Fiduciary Manager has been provided with a copy of this SIP and is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995. Further information can be found in the SIA.

The Trustees have appointed the Fiduciary Manager to implement the Plan's investment strategy. The Investment Manager manages assets directly on behalf of the Trustees as well as having delegated authority to appoint, monitor and change the Underlying Managers.

The Fiduciary Manager is appointed to carry out its role on an ongoing basis. The Trustees periodically review the overall value-for-money of using R&M Solutions, and information in relation to costs associated with investing is included in the quarterly monitoring report. The Trustees are satisfied that these arrangements incentivise the Fiduciary Manager (as detailed further below):

- to align its investment strategy and decisions with the Trustees' investment policies, such as their return target and restrictions detailed in the Fiduciary Management Agreement, and
- to assess and make decisions based on the medium- to long-term financial and non-financial performance of an issuer of debt or equity, and to engage with such issuers to improve this medium- to long -term performance. The success of this will contribute to the Plan's performance, which is measured relative to the Trustees' long-term performance objectives.

The Plan's investments are made via pooled investment funds via the Platform Manager, in which the such investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes (such as capital structure) or other financially material considerations, is delegated to the Underlying Managers.

The Trustees have delegated responsibility for monitoring and voting on decisions relating to their Underlying Manager holdings to the Platform Manager. The Platform Manager has in place a voting policy in respect of general meetings of a pooled fund.

The Fiduciary Manager undertakes regular reviews of all Underlying Managers. These reviews incorporate benchmarking of performance and fees as well as performance reviews (including understanding key drivers of performance), investment due diligence meetings and operational due diligence reviews. The Fiduciary Manager reviews the governance structures of the Underlying Managers, as well as assessing whether their fees, expenses and any other charges are in line with industry peers at inception and from time to time whilst invested.

Where it can be determined, the Fiduciary Manager assesses whether Underlying Manager remuneration arrangements are aligned with the Trustees' objectives. The method and time horizon for evaluating and remunerating Underlying Managers are determined by criteria set by the Fiduciary Manager, as detailed above.

The Trustees acknowledge the inherent potential conflicts of interest which exist as part of ongoing investment management business activities. As an FCA-regulated firm, the Fiduciary Manager is required to prevent or manage conflicts of interest. Where Underlying Managers are also regulated, they are likely to be subject to such requirements to manage conflicts of interest as are applicable in their jurisdiction of incorporation or operations. The Fiduciary Manager directly monitors these as part of the Underlying Managers' regulatory filings (where available). The Fiduciary Manager also monitors this as part of ongoing review. The Fiduciary Manager's Conflict of Interest policy is available publicly here:

https://riverandmercantile.com/Asp/uploadedFiles/file/Corporate_Governance/RMG_Conflicts_of_Interest_Policy.pdf

The Fiduciary Manager oversees the turnover costs incurred by the Underlying Managers as part of its ongoing monitoring process and evaluates such costs to determine if they are in line with peer groups and the Fiduciary Manager's expectations. Where there are material deviations the Fiduciary Manager engages with Underlying Managers to understand the rationale for such deviations and takes appropriate action.

10.2 Financially material investment considerations

These considerations which include the above "Risks" can affect the long-term financial performance of investments and can (but do not have to) include environmental, social and governance factors (otherwise known as ESG) where relevant. The Trustees delegate consideration of financially material factors to the Platform Manager, who consider these factors for funds that are available to beneficiaries through the default arrangement and as self-select funds, when making funds available on its investment platform. All references to ESG relate to financial factors only. All references to ESG also include climate change.

ESG factors and stewardship are considered in the context of long term performance, by the Trustees (in conjunction with its advisors) as part of the manager selection criteria. This review occurs before funds are approved for investment. For invested funds, the Trustees request the Platform Manager monitor ongoing compliance with ESG and other factors, like stewardship, as a part of overall engagement.

10.3 Non-financial matters

The Trustees do not at present take into account non-financial matters (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as part of the default arrangement, as there is no likely common view on any ethical matters which members are likely to hold.

10.4 Security of Assets

The Trustees are aware of the importance of the safe custody and security of members' funds. The Plan's assets are held via an investment policy with the Platform Manager. The Financial Services Compensation Scheme ("FSCS") would provide cover to the Plan in the event of insolvency of the Platform Manager, who also has contractual agreements in place with Underlying Managers and would seek compensation as a result of insolvency of Underlying Managers or other related parties. Appropriate due diligence is done on the financial strength, custody and administration agreements of the

Underlying Managers and Platform Manager before an appointment is made and this is reviewed regularly by the Advisers and Fiduciary Manager in conjunction with the Trustees.

Appendix A - Responsibilities

Trustees

The main investment related responsibilities of the Trustees of the Plan include:

i. Reviewing, at least triennially (or following significant changes to the investment strategy), the content of this SIP and modifying it if deemed appropriate.
ii. Reviewing the investment policy for the Plan in terms of providing a range of funds from which members may choose to invest.
iii. Assessing the quality of the performance and process of the Underlying Managers and Fiduciary Manager by means of regular reviews of the investment results and other information, through meetings and written reports.
iv. Monitoring compliance of the investment arrangements with the SIP on an ongoing basis.
v. Appointing and dismissing Platform Managers and the Fiduciary Manager.
vi. Assessing the performance of the Advisers.
vii. Consulting with the Employer when reviewing investment policy issues.
viii. Providing any appointed organisations/individuals with a copy of the SIP, where appropriate.

Platform Manager

The main responsibilities of the Platform Manager are:

i. At their discretion, but within the guidelines agreed with the Trustees, selecting and undertaking transactions in specific investments within each fund.
ii. Acting in accordance with the principles set out in the SIP (as appropriate).
iii. Providing the Trustees with sufficient information each quarter to facilitate the review of its activities, including:
    - Performance and rationale behind past and future strategy for fund options offered to members.
    - A full valuation of the assets.
    - A transaction report.
iv. Informing the Trustees immediately of:
    - Any serious breach of internal operating procedures.
    - Any material change in the knowledge and experience of those involved in managing the Plan's investment options.

Investment Adviser

The Trustees have appointed R&M Solutions in a dual role as both Investment Adviser and Fiduciary Manager of the Plan's assets. The main responsibilities of R&M Solutions as Investment Adviser are:

i. Participating with the Trustees in reviews of this SIP.
ii. Informing the Trustees of any material breaches of this SIP, internal operating procedures or changes in the knowledge and experience of those involved in managing the Plan's investment options.
iii. Advising the Trustees of any changes in the Plan's Platform Manager that could affect the interests of the Plan.
iv. Advising the Trustees of any changes in the investment environment that could either present opportunities or problems for the Plan.
v. Providing the Trustees with sufficient information each quarter to facilitate the review of its activities,
vi. Undertaking reviews of the Plan's investment arrangements including reviews of the self-select funds and the lifestyle structure.

Fiduciary Manager

The main responsibility of R&M Solutions as Fiduciary Manager are:

i. Investment Management services as set out in the Fiduciary Management Agreement ("FMA") and below.
ii. At the discretion of R&M Solutions but within any guidelines given by the Trustees, implementing changes in the asset mix and selecting and undertaking transactions in specific investments within each asset class to achieve the Trustees' stated objective.
iii. Selecting the Platform Manager, which the Trustees appoint in order to make use of the Fiduciary Manager's services.

Legal Adviser

The Legal Adviser will be responsible for, amongst other things:

i. Liaising with the Trustees to ensure legal compliance including those in respect of investment matters.