Royal Lancaster Hotel Retirement Benefits Plan
Chair's Statement on DC Governance from 6 April 2019 to 5 April 2020

This Chair's Statement ('Statement') has been prepared by the Trustees of the Royal Lancaster Hotel Retirement Benefits Plan ('the Plan') to demonstrate how the Plan has complied with the DC governance standards introduced on 6 April 2015 under The Occupational Pension Schemes (Charges and Governance) Regulations 2015.

This Statement relates to the period from 6 April 2019 to 5 April 2020 and covers the following key areas:

1. Plan Management, including the Trustees compliance with the statutory Trustee Knowledge and Understanding ('TKU') requirements;

2. Investment governance of the Plan's default arrangement;

3. Charges, transaction costs and value for members within the Plan;

4. Illustrations of the cumulative effect of these costs and charges; and

5. Administration, including the processing of core Plan financial transactions.

1. Plan Management

Trustee Knowledge and Understanding

Upon appointment, and subsequently, the Trustees are made aware that they are required to maintain appropriate levels of trustee knowledge and understanding, both individually and collectively. This requirement is managed in a number of ways including:-

- Newly appointed trustees are provided with a copy of the Pension Regulator's 'A guide for new trustees', Code of Practice 7 relating to Trustee Knowledge and Understanding (TKU) and scope guidance relating to Defined Contribution and Defined Benefit Schemes.

- It is strongly recommended that all newly appointed trustees complete the Pensions Regulator's eLearning trustee toolkit within 6 months of becoming a trustee and details of how the toolkit can be accessed are provided to a new trustee, once appointed.

- Trustee training is a regular agenda item at Trustee meetings, with training provided by the Trustees' advisers, as appropriate. Updates on key pension issues and legislation are provided at each Trustee meeting by the Trustees' advisers and outside of meetings, when required. During the Scheme year, training on GMP equalisation has taken place. A number of the Trustees have completed investment training, which focused on a range of topics including ESG, integrated risk management, Trustee responsibilities and covenant, among others.

- The Scheme training programme is developed alongside the Scheme's ongoing activity and business requirements. Knowledge gaps are identified by each Trustee carrying out a self evaluation. Moving forward the combined knowledge and understanding of the Trustee Board will be formally assessed using the Pension Regulator's sample board evaluation questions.

- The Trustee training log is retained by the Scheme Secretary, updated throughout the year with all training carried out and is used as a tool to identify training needs.

- The Trustees of the Plan are encouraged to attend external pension related seminars and events run by the investment manager and the Plan's other professional advisers.

- The Trustees have access to Plan documentation via the Scheme Secretary. These documents include, but are not limited to, the Plan's Trust Deed & Rules, amending deeds, member booklets and the Statement of Investment Principles (SIP). All of the Scheme documents are referred to and referenced in line with Scheme activity and business requirements, where necessary.

- In addition to the knowledge and skills within the Trustee board itself, the Trustees have also appointed a number of professional advisers who provide specialist support and advice both at Trustee meetings and outside of meetings, as required. This includes the Plan's Third-Party Administrators, Legal Advisers, Investment Manager, Consultants, Auditors and Actuary.

Pooling all these resources together means that the Trustees are well equipped to exercise their duties and manage the Plan effectively.

Conflicts of duty or interest and Risk Management

Conflicts of duty or interest is a regular agenda item at the start of each Trustee meeting and, should any conflicts of duty or interest be declared by any Trustee, the required action will be decided by those present at the meeting. Such action may be for the conflicted Trustee to be excluded from the meeting or excluded from the particular item causing the conflict.

A table of potential conflicts is maintained along with a register of conflicts declared.

The Trustees also maintain a Risk Register which is reviewed, at least annually.

2. Investment governance and the Plan's default arrangement

The current Statement of Investment Principles (SIP) was reviewed during 2019, agreed by the Trustees and signed on 30 September 2019. A copy of the SIP is included as Appendix A. The 2019 review of the SIP included updates on the following:-

- The duty to take into account financially material considerations over the appropriate time horizon. These considerations encompass ESG issues, including climate change, with the "appropriate time horizon" being the length of time that the Trustees consider is needed for the funding of future benefits by the investments of the Plan.

- Their stewardship obligations, that is, how rights relating to investments (including voting rights) are exercised.

- The extent to which non-financial matters are considered in the selection, retention and realisation of investments. These non-financial matters are the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the Plan.

A further review of the SIP is scheduled to take place during 2020 to address stewardship in more detail and revise the Trustees investment disclosure obligations. In particular, the Trustees will explain how they incentivise their appointed investment managers to align investment strategy with the Trustees policies and to make investment decisions based on long-term performance. The Trustees will include their annual disclosure on their engagement and voting practices.

The agreed process is for the Trustees to formally review the SIP immediately after any significant change in investment policy or every three years following completion of the Triennial Valuation. The next valuation being due as at 5 April 2020.

There has been no need to alter the Plan's investment default. The last change to the investment allocation took place in February 2017. However, each year the Scheme Actuary presents to the Trustees the results of the Actuarial Report. This is reviewed by the Trustees together with a review of the underlying investments held. This took place at the Trustee meeting held on 30 September 2019. Furthermore, the investment manager, Schroders, meet with the Trustees once a year to provide information on fund valuation, performance, objectives and any other relevant factors. The last meeting with Schroders took place on 4 March 2019. A formal review of the default strategy will take place following completion of the 5 April 2020 Triennial Valuation.

The Trustees main aims with regard to investment objective and strategy is to ensure that the assets, including those held in the contingency reserve, achieve a stable long-term return, ensuring that the Plan is able to at least meet the guarantees in place for members.

The Trustees are aware that the arrangements for this Plan are different to those of a typical Defined Contribution arrangement and members do not face certain risks directly, as these risks are taken by the Plan through the provision of a final salary underpin and guaranteed minimum pension entitlement.

All assets are currently invested with Schroder Investment Management Limited.

For DB section members, investments are held in the Schroder Global Equity Fund, the Matching Index-Linked Gilt Fund (2058-2077) and the Matching Nominal Gilt Fund (2058-2077). The bond allocation ensures that the Plan liabilities are mostly matched and protected from interest and inflationary movements, there is now no need to transfer a member's assets from the global equity fund at retirement. Therefore, the assets currently held in the global equity fund will continue to be held beyond retirement.

For DC section members, the assets held in the bond fund were transferred to a shorter dated matching nominal gilt fund (2018-2037) with effect from 26 May 2017. The assets for these members are also invested in the Schroder Life Global Equity Fund until age 58. From age 58 they automatically begin switching into the shorter duration bond fund in seven equal tranches until their normal retirement date.

The Trustees believe that the investment structure and the default investment strategy for the Plan are appropriate and the Trustees monitor the suitability of this approach on an ongoing basis, with consultation from the Plan's advisors.

There is no self selection option available under the Plan.

The Trustees meet with the investment manager, Schroder Investment Management Limited, annually following which they review the performance of funds and consider the continued appropriateness of the current default arrangement. The Trustees last met formally with the investment manager on 4 March 2019.

3. Charges, transaction costs and value for money

Transaction costs and charges borne by members may have a significant impact on their pension savings, so it is important the Trustees keep the levels of these deductions under review.

Member-borne costs and charges

The ongoing charges applicable to each of the investment funds at the year end are detailed below. The actual costs borne by individual members depend on the fund that the members are invested in:

Fund name	Manager's fees	Other fees	Total ongoing charge
Schroder Life Global Equity Fund	0.50%	0.02%	0.52%
Schroder Life Matching Index-Linked Gilt Fund (2058-2077)	0.10%	0.00%	0.10%
Schroder Life Matching Nominal Gilt Fund (2058-2077)	0.10%	0.00%	0.10%
Schroder Life Matching Nominal Gilt Fund (2018-2037)	0.10%	0.00%	0.10%

These charges are reflected in the unit price quoted by the investment manager, rather than being explicitly deducted from each member's fund. The actual costs borne by individual members depend on the fund, or combination of funds, that the members are invested in.

All other costs associated with the services required to operate the Plan and support members, such as audit and communications, are met by the Principal Employer.

As the Plan is being used as a qualifying scheme for automatic enrolment, the charge controls on DC schemes do apply.

Transaction costs

The Trustees understand that they are required to assess and understand the different types and levels of transaction costs that are incurred by the Plan's investment funds and assess the value these costs deliver to members.

For all investment funds, including the default, there are additional charges incurred by members when transacting between different funds. These charges are included by the investment manager within the unit price offered to members and depend on whether members are buying into, or selling out of, a fund. Individual fund factsheets are available to members on Schroder's client website or from Goddard Perry Consulting Limited, the Plan's consultants and administrators.

The table below provides an estimate of the total explicit dealing costs incurred by each of the pooled funds over the year, after allowing for the dealing costs received by the pooled fund through the bid/offer spread from the dealing in units.

Fund name	**Explicit dealing costs (% within fund)**
Schroder Life Global Equity Fund	0.16%
Schroder Life Matching Index-Linked Gilt Fund (2058-2077)	0.01%
Schroder Life Matching Nominal Gilt Fund (2058-2077)	0.03%
Schroder Life Matching Nominal Gilt Fund (2018-2037)	0.08%

The Trustees are not aware of any other transaction costs borne by members of the Plan.

Illustration of charges and disclosure costs

The following tables sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings.

The "before costs" figures represent the projected pensions savings assuming an investment return with no deduction of member borne fees or transaction costs. In comparison, the "after costs" figures represent the projected pension savings using the same assumed investment return after deducting the member borne fees (i.e. the AMC and all ongoing charges) and an allowance for transaction costs.

The illustration has been split between the active DC members with a DB underpin and the DC members. The funds used are the most popular, the highest and lowest risk.

The illustrations shown in the table below have been prepared in line with the statutory guidance published by the Department for Work & Pensions.

DC members with a DB underpin

The funds used are:-

- The most popular fund is also the highest before costs expected return – this is the Schroder Life Global Equity Fund.
- The fund with the lowest before costs expected return – this is the Schroder Life Index Linked Gilt Fund (2058-2077).

Projected pension pot in today's money

Years from now	Global Equity (most popular & highest return)		Index Linked Gilt Fund (2058-2077) (lowest return)	
	Before charges	After charges	Before charges	After charges
0	£492,721.00	£492,721.00	£492,721.00	£492,721.00
1	£522,735.90	£488,954.83	£496,313.74	£495,818.40
2	£553,895.68	£516,121.37	£499,844.74	£498,858.57
3	£586,244.28	£544,176.85	£503,314.96	£501,842.46
4	£619,827.32	£573,150.56	£506,725.33	£504,770.98
5	£654,692.19	£603,072.81	£510,076.76	£507,645.03
10	£850,033.23	£768,043.67	£525,980.99	£521,228.91
15	£1,085,658.20	£961,885.07	£540,541.57	£533,578.45
16	£1,138,323.39	£1,004,550.47	£543,301.37	£535,908.96

Notes to illustrations

- Values shown are estimates and are not guaranteed.
- Projected pension pot values are shown in today's terms.
- Inflation is assumed to be 2.5% each year.
- The starting pot size is £492,721.
- The starting salary is assumed to be £77,229.
- The projections assume that salaries increase in line with inflation to allow for prudence in the projected values.
- Contributions are assumed to be 16% (8% employer and 8% employee) less the Lower Earnings Limit per year.

DC members

The funds used are:-

- The most popular fund is also the highest before costs expected return – this is the Schroder Life Global Equity Fund.
- The fund with the lowest before costs expected return – this is the Schroder Life Index Linked Gilt Fund (2018-2037).

Projected pension pot in today's money

Years from now	Global Equity (most popular & highest return)		Index Linked Gilt Fund (2018-2037) (lowest return)	
	Before charges	After charges	Before charges	After charges
0	£41,096.00	£41,096.00	£41,096.00	£41,096.00
1	£42,673.06	£42,451.16	£40,469.29	£40,428.82
2	£44,310.64	£43,851.01	£39,852.13	£39,772.46
3	£46,011.06	£45,297.01	£39,244.38	£39,126.77
4	£47,776.73	£46,790.70	£38,645.91	£38,491.56
5	£49,610.16	£48,333.65	£38,056.56	£37,866.65
10	£59,888.27	£56,845.95	£35,241.91	£34,891.07
15	£66,272.65	£61,287.37	£32,635.43	£32,149.31
19	£64,609.00	£58,515.75	£30,689.75	£30,111.86

Notes to illustrations

- Values shown are estimates and are not guaranteed.
- Projected pension pot values are shown in today's terms.
- Inflation is assumed to be 2.5% each year.
- The starting pot size is £41,096.
- Contributions are assumed to be 0% per year.

Value for members

When assessing the charges and transaction costs which are payable by members, the Trustees need to think about whether the investments, options and the benefits offered by the Scheme represent good value for members when compared to other options available in the market.

There is no objective legal definition of "good value" and so the process of determining good value for members is not wholly objective and requires the Trustees to exercise their judgement following a detailed assessment. In doing so, the Trustees have been guided by TPR's value for members guide.

Charge controls apply to the default arrangements of certain occupational pension schemes that provide DC benefits and that are being used as qualifying schemes for automatic enrolment. The Scheme meets the requirement that no members' funds in a default arrangement are subject to charges in excess of a cap, as a simple percentage of members' funds, this limit is 0.75% per annum.

In addition, the Trustees believe that members of the Plan are receiving good value based on the following criteria:-

- there is membership support from the Trustees on day to day matters;
- knowledgeable help desk staff to answer member questions;
- a DB underpin is included for a section of members;
- the day to day administration has in general been managed efficiently;
- although only a small range of funds are available to members these have performed in line with their stated objectives. The investments are being reviewed and monitored on an ongoing basis, with consideration being given to a change of investment vehicle. This will be reviewed further as part of the triennial actuarial valuation due to be carried out as at April 2020;
- good Scheme governance, including a cyber security review carried out by the Principal Employer.

As part of the process to update their assessment, the Trustees revisited the outstanding areas previously identified where greater value for members could be added. A further update on any actions taken to improve value for members will be included within the next assessment and Chair's Statement.

4. Administration

Processing core financial transactions

The Plan is open to active members and both member and employer contributions are paid across to the Plan by the Principal Employer each month and are processed by the Plan's administrator, GPC (some administration matters are delegated to HS Admin, a subsidiary of GPC), on behalf of the Trustees.

The processing of core financial transactions are regularly monitored by GPC who have documented internal control procedures that help to ensure that core financial transactions are processed promptly and accurately. These include controls and procedures to manage the receipt and timely investment of contributions, the accuracy of investment allocations, payments of benefits as well as individual transfers out and investment switches managed as part of the life-styling arrangement.

The Plan's administrator, GPC provides the Trustees with a governance report on administration issues at quarterly intervals. The Trustees use this information to review GPC processing, including core financial transactions and performance against agreed service levels.

Details of the Plan service levels for key administration tasks are summarised in the table below.

Tasks	Open at start	New tasks	Completed tasks	Completed within SLA	Open at end
Ad hoc tasks	-	3	3	100%	-
General task	-	21	21	100%	-
NRD Disclosure letter	-	3	3	100%	-
Administration Report	1	5	5	100%	1
Correspondence: Member & Third Party	-	4	4	100%	-
Data Change - update	-	2	2	100%	-
Pension increase	1	1	1	100%	1
Retirement Pack	1	8	9	89%	-
Settlement	-	5	3	100%	2
Transfer out quote	-	3	3	100%	-
Renewal & Benefit Statements	-	2	2	100%	-
	3	**57**	**56**	**98%**	**4**

The performance achieved, as reported in the quarterly administration reports, is the percentage of cases HS Admin have completed within the 'Total elapsed time' targets.

Any exceptions or issues with administration or transaction processing identified through the quarterly reporting will be discussed with GPC (or HS Admin as necessary) to identify the root cause and they will be asked to confirm what measures are being taken to improve the Plan's processes in order to minimise the likelihood of repeat issues occurring and ensure transaction processing is as efficient as possible.

The Trustees review the information provided by GPC and consider whether it allows them to determine whether scheme processing is timely and accurate, or whether further reporting would be helpful in future.

In addition, the Trustees can also review GPC's (or HS Admin's as necessary) administration assurance reports (AAF 01/06) which sets out their controls and the results of independent testing of those controls. The report also includes details of GPC disaster recovery and business continuity plan.

Over the period covered by this Statement, the Trustees are satisfied that:-

- There have been no material administration errors in relation to processing core financial transactions; and
- All core financial transactions have been processed within a reasonable timeframe.

Plan data and record-keeping

The Trustees in liaison with GPC consider whether appropriate data is held regarding members of the Plan. This review ensures that "Common" and "Scheme specific" data, as defined by tPR, is assessed and an improvement plan is put in place, if required.

As part of this process, GPC have carried out a tracing exercise during the Scheme year to ensure that the "Common" data held for members is correct and up to date and to also obtain additional data, such as email address.

The Plan's Common data score is measured on a daily basis and currently stands at 97.6%.

Signed

Mohamed Gemei **Date:** 15 September 2020
Signed by the Chair on behalf of the Trustees of the Royal Lancaster Hotel Retirement Benefits Plan

Appendix A

Royal Lancaster Hotel Retirement Benefits Plan

Statement of Investment Principles
September 2019

Contents

1. Introduction

Under the Pensions Act 1995, as amended and the Occupational Pension Fund (Investment) Regulations 2005, trustees are required to prepare and review regularly a Statement of Investment Principles (SIP), dealing with a number of specific matters.

This statement sets out the principles governing decisions about the investment of the assets of the Royal Lancaster Hotel Retirement Benefits Plan (the "Plan"). Before preparing this Statement, the Trustees have obtained and considered written professional advice. The Trustees have also consulted with the Sponsoring Employer of the Plan.

This Statement supersedes the previous SIP prepared by the Trustees in September 2017.

The Plan's assets are held in trust by the Trustees, whose powers of investment are set out in the Trust Deed and Rules.

The Trustees regularly review this Statement on an ongoing basis, and will also do so in response to any material changes to any aspects of the investment arrangement. Any such review will again be based on written, expert advice and will be in consultation with the Employer.

Signed for and on behalf of the Trustees of the Royal Lancaster Hotel Retirement Benefits Plan:-

Signed:		Date:	30 September 2019

2. Decision Making

The Trustees distinguish between two types of investment decision:

Strategic investment decisions

These decisions are long term in nature and are formed by the objectives of the Plan.

The Trustees take all such decisions. Where appropriate, this is after receiving written advice from the investment consultant and consulting with the Employer. Examples of such decisions include:

- Setting investment objectives;
- Setting benchmarks;
- Setting member fund choices;
- Setting the balance between risk and reward;
- Drafting the Statement of Investment Principles; and
- Appointing and removing the investment manager.

Any investment consultancy charges are levied on a time-cost basis. The Trustees believe that this is the most appropriate fee structure commission as any other payments may affect the impartiality of their advice.

The investment manager is remunerated by ad valorem charges (a percentage of the value of the funds invested) based on the value of assets managed. The Trustees believe that this is the most appropriate fee structure.

Tactical investment decisions

These decisions are short term in nature and based on views of future market movements.

The Plan's assets are invested in actively managed funds, and in this case, the investment manager makes tactical decisions such as:

- Selecting individual stocks;
- Temporarily deviating from the stated investment mandate to take advantage of better market opportunities, but within the terms of the respective funds; and
- Timing of entry or exit from a market.

The investment manager is authorised and regulated by the FCA.

3. Investment Objectives

The Plan is regarded as a defined contribution arrangement. However, some members have a final salary guarantee attaching to their benefits as a result of their membership of a previous employer's scheme, from which a bulk transfer value was paid into the Plan.

Furthermore, all members have GMP liabilities which also form a final salary type guarantee of benefits. In addition to the members' defined contribution accounts, the Plan therefore also holds a contingency reserve, assessed by the Scheme Actuary as that which is necessary to cover the cost of the final salary guaranteed benefits in excess of the value of each member's defined contributions account.

The Trustees are mindful of their responsibility to provide members with an appropriate range of investment funds.

The Trustees recognise that members are exposed to different types of risk at different stages of their working lifetimes. Broadly speaking, four types of risk can usually be identified, as noted below:

- **Investment-Return Risk**: This is the risk that a member is not invested in those asset classes (principally equities) that are expected to yield the highest return over the long run. In particular, this is the risk that the return on a member's assets is insufficient to ensure that the value of the member's assets is higher than the guarantees in place.

- **Annuity-Rate Risk**: This is the risk that, when close to retirement, a member has not invested the part of his/her fund that will be used to purchase a pension in those asset classes (principally medium to long-dated UK Conventional Gilts), which protect against annuity-rate movements.

- **Lump-Sum Risk**: This is the risk that, when close to retirement, a member has invested the part of his/her fund that will be used to provide a tax-free lump sum in those asset classes (every type except cash) that are subject to volatility in capital value terms.

- **Market-switching Risk**: This risk arises when there is to be a switching between investment vehicles. The risk is that it is performed wholesale, thereby unnecessarily exposing members to the vagaries of the markets on a particular day.

The Trustees are mindful that the arrangements of this Plan are different from those of the typical Defined Contribution fund. Members of this Plan do not directly face the risks above as these risks are assumed by the Plan through the provision of final salary underpins.

The overall objective for the Trustees is, therefore, to ensure that the assets in the contingency reserve achieve a suitable stable long-term return, ensuring that the Plan is able to meet the guarantees in place for members.

In pursuit of this objective, assets in the contingency reserve are currently invested in a global equity fund.

4. Myners' Investment Principles

When the government published the results of the consultation into the NAPF recommendation at the end of 2008, they created a joint government Industry Investment Governance Group (IGG). One of their immediate tasks was to update the Principles for DC Schemes, which had not been specifically addressed by the last review. The Plan's adherence (or otherwise) to the latest (2010) DC Myners' Principles is set out below.

Principle 1: Clear roles and responsibilities for investment decision-making and governance

Roles and responsibilities in relation to investment decision-making and governance are clearly defined and communicated to interested parties.

The Trustees take responsibility for all investment decision-making issues. Furthermore, the Trustees review all decisions on a regular basis to ensure good governance of the Plan. Potential conflicts of interest are addressed at each meeting.

The Trustees have decided that their direct involvement and monitoring of corporate governance is not a viable option given the resources available to them. As a result, the Trustees have delegated the exercise of rights attached to their investments, including voting rights to the investment manager. The Trustees have requested that the manager follows the guidance within the Institutional Shareholders' Committee Statement of Principles with regard to corporate governance. The Trustees are aware of the corporate governance policies followed by the investment manager and find them acceptable.

Principle 2: Effective decision making

Decisions relating to investment governance are taken on a fully informed basis and the investment governance processes are sound

The Trustees make decisions by consulting with investment professionals that they feel are best equipped to give that advice. All member fund options are made in consultation with the Plan's investment consultants. The Trustees view that they have the appropriate skills for, and the board is run in a way that facilitates, effective decision making.

The Trustees also believe that they have sufficient time to undertake their trustee duties within working hours. They do not believe it is necessary to receive specific payment for their trustee duties.

The Trustees regularly review their investment decisions and exercise sufficient control to allow them to adapt and develop their strategy as circumstances and market conditions require.

The Trustees have considered the TPR's Trustee Toolkit and guidance on conflicts of interest.

Principle 3: Appropriate investment options

The investment options provided take account of a range of member risk profiles and needs are designed appropriately.

In May 2010, the Trustees reviewed the pre-retirement assets of Ex-Rank members. Following this review, these pre-retirement assets were transferred, from the balanced fund to a global equity fund, managed by Schroders.

The rationale for moving these assets to global equity fund was to provide exposure to higher expected returns. All members were invested in the global equity fund for the period up until retirement and then from retirement, a member's assets were then transferred to the bond fund, from which the pension is paid to the member.

However, as a result of Schroders decision to close the bond fund, the Trustees reviewed the range of replacement matching gilt and index-linked funds and in March 2017 the assets held in the bond fund were transferred to a long dated matching nominal gilt fund (2058-2077) and a long dated matching index-linked gilt fund (2058-2077). As the new allocation to these funds ensures that the liabilities are mostly matched and protected from interest and inflationary movements, there is now no need to transfer a member's assets from the global equity fund at retirement. Therefore, the assets held in the global equity fund continue to be held there beyond retirement.

For DC section members, the assets held in the bond fund were transferred to a shorter dated matching nominal gilt fund (2018-2037).

The Trustees believe that this structure best meets the needs of members.

Principle 4: Appropriate default strategy

An investment strategy which is offered for members who prefer not to make a choice is designed appropriately.

Contributions from Ex Rank members are currently invested in the global equity fund and these will be retained there at retirement, as by being invested in the longer duration bond funds the interest and inflation rate risks are now almost completely hedged for the duration of the liability. Pensions are now paid to retired members from the global equity fund in order to retain the hedged position. Given the minimum benefit guarantees in place, the Employer has set aside a contingency reserve, to meet any shortfall in members' benefits.

For DC section members, their assets are also invested in the global equity fund until age 58. From age 58 they automatically begin switching into the shorter duration bond fund in seven equal tranches until their normal retirement date.

The Trustees believe that this is a suitable default strategy for the Plan and would monitor the suitability of this approach over time, with consultation from the Plan's advisors.

Principle 5: Effective performance assessment

The performance of investment options is monitored.

The Trustees are invested with Schroders who provide the Trustees with regular information on each funds' performance.

The Trustees spend an appropriate amount of time and resources reviewing and managing each investment option.

The Trustees monitor the suitability of any investment wrapper and are prepared to swap to other arrangements when appropriate and on the basis of appropriate advice.

Principle 6: Clear and relevant communication with members

Clear information on the investment options and their characteristics that will allow members to make informed choices is provided.

The Trustees set out information on the decision-making and investment governance of the Plan in this Statement of Investment Principles.

The Trustees take and act on advice received from their appropriate advisors, which includes their investment consultant.

The Trustees believe that they are adhering to the spirit of the updated Myners' investment principles.

5. Investment Strategy

The Plan is regarded as a defined contribution arrangement. However, some members have a final salary guarantee attaching to their benefits as a result of their membership of a previous employer's scheme, from which a bulk transfer value was paid into the Plan.

Furthermore, all members have GMP liabilities which also form a final salary type of benefits. In addition to the members' defined contribution accounts, the Plan also holds a contingency reserve, assessed by the actuary as necessary to cover the cost of the final salary guarantee benefits in excess of the process of each member's defined contribution account.

The Plan's assets are currently invested wholly with Schroders in the following funds:

Pooled Fund	Benchmark Index	Target
Schroder Life Global Equity Fund	MSCI World Index	To outperform the benchmark by 2 to 2.5% per annum over rolling 3-year periods.
Schroder Life Matching Nominal Gilt Fund (2058-2077)	n/a	To provide a return in line with that of a portfolio of fixed interest gilts consistent with the maturity band
Schroder Life Matching Index-Linked Gilt Fund (2058-2077)	n/a	To provide a return in line with that of a portfolio of index-linked gilts consistent with the maturity band
Schroder Life Matching Nominal Gilt Fund (2018-2037)	n/a	To provide a return in line with that of a portfolio of fixed interest gilts consistent with the maturity band

In February 2017, as a result of Schroders decision to close the Schroder Life Long Dated Sterling Bond Fund, the Trustees reviewed the range of replacement matching gilt funds. The review looked at how best to protect the Plan's liabilities from movements in interest rates and inflation, with fixed interest gilts offering interest rate protection by moving in the same way as the Plan's liabilities and index-linked gilts offering inflation protection by moving in the same way as inflation linked benefit increases to changes in inflation.

Following the review, in March 2017 the assets for Ex Rank members held in the Schroder Life Long Dated Sterling Bond Fund were allocated to a long dated matching nominal gilt fund and a long dated matching index-linked gilt fund in the following proportions:-

- Schroder Life Matching Index-Linked Gilt Fund (2058-2077): 65%
- Schroder Life Matching Nominal Gilt Fund (2058-2077): 35%

The new allocation to these funds ensures that the liabilities are mostly matched and protected from interest and inflationary movements and therefore member assets can continue to be held in the Schroder Life Global Equity Fund beyond their retirement date.

For DC section members, their assets are invested in the Schroder Life Global Equity Fund and then automatically begin switching into a new shorter duration Schroder Life Matching Nominal Gilt Fund (2018-2037) with effect from age 58 in seven equal tranches.

Prior to this strategy, the pre-retirement assets for Ex-Rank members were disinvested completely from the Schroder Life Managed Balanced Fund and invested in the Schroder Life Global Equity Fund. Under that strategy, contributions from all members were invested in the Schroder Life Global Equity Fund for the period up until retirement. From retirement, the monies were then transferred to the Schroder Life Long Dated Sterling Bond Fund, from which pensions to members were paid.

Historically, the Plan had a lifestyle strategy in place. Under this lifestyle strategy, contributions from members would be invested in the Schroder Life Managed Balanced Fund up until the age of 58. From the age of 58 to the age of 65, monies were switched over annually to the Schroder Life Long Dated Sterling Bond Fund. This lifestyle strategy was discontinued in 2010. The reason that the strategy was discontinued was that, in recent years as a result of the increasing cost of annuities, all retirees' funds experienced shortfalls against quoted annuity values. It was felt that this situation would continue and would result in there being no likelihood of any members' fund experiencing a surplus (against the minimum guarantee benefit) at retirement in the future.

Additional Voluntary Contributions (AVCs)

The Plan provides a facility for members to pay AVCs to enhance their benefits at retirement. Members are offered this facility through Schroder Investment Management Limited to invest their AVCs. Members participating in this facility receive an annual statement confirming the total AVCs paid in the year and the total fund value including their AVCs and the main Plan values.

6. Prescribed Matters

Introduction

This section covers those matters prescribed in Section 35 of The Pensions Act 1995, the 1999 amending regulations and The Pensions Act 2004.

Choosing Investments

The assets of the Plan are invested in pooled vehicles. Ownership is therefore units in unit trusts.

The Trustees are mindful of the underlying distribution of assets in the unit trusts. In particular, the Trustees regard the distribution of the Plan's assets as appropriate to meet the objectives and needs of members.

Kinds of Investments

The Trustees recognise that the investment manager may, upon instructions, invest in the following asset classes on behalf of the Plan:

- UK equities
- Overseas equities
- Corporate bonds
- Gilts
- Cash
- Property

Balance between Investments

The Trustees recognise the advantages of diversification between UK equities, overseas equities, corporate bonds and gilts from the perspective of:

- Reducing the risk that results from investment in any one particular market; and
- Enhancing return.

Risk

The Trustees pay close regard to the risks that may arise to Plan members from the lack of diversification of investments. They believe that the investment policies to be followed by the investment manager have adequate regard to the need to diversify within each asset class as well as in terms of stock selection.

Under the provisions of the Pensions Act 2004, the Trustees must now state their policy on the ways in which risks are to be measured and manged. These are set out below.

Manager risk:

- Is measured by the expected deviation of the prospective risk and return, as set out in the manager's objectives, relative to the investment policy.
- Is managed by monitoring the actual deviation of returns relative to the objective and factors supporting the manager's investment process.

Liquidity risk:

- Is measured for the Plan by the level of cash flow required by the Plan over a specified period versus the amount of liquid assets that the Plan has.
- Is managed by investing in pooled funds that are readily realisable.

Political risk:

- Is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.
- Is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

Corporate governance risk:

- Is assessed by looking at the investment manager's policy toward corporate governance.
- Is managed by taking such policies into account when selecting managers.

Expected Return on Investments

Gilts – providing that they are held to maturity, and ignoring reinvestment risk, the return on gilts over their lifetime will be the current Gross Redemptions Yield (GRY).

The Trustees' expected investment returns for other asset classes are expected investment returns for other asset classes are expressed relative to this GRY:

- The Trustees expect UK and overseas equities to return between 2%p.a. to 4%p.a. over gilts over the long term.
- The Trustees expect corporate bonds to return between 0.5% p.a. to 1% p.a. over gilts over the long term.
- The Trustees expect cash to underperform gilts between 0.5% p.a. to 1% p.a. over the long term.

Realisation of Investments

The Plan's assets are invested in the investment manager's pooled vehicles, which in turn invest in securities traded on recognised exchanges. The Trustees conclude that the majority of the Plan's investments can be realised if necessary.

ESG Risk

This 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 Manager where applicable, or by requesting information on the ESG policies adopted by the Investment Manager.

Other Risks

Corporate Governance and Stewardship Policy

The Plan investments are made via pooled investment funds, in which the Plan investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue these securities, monitoring and voting, whether for corporate governance purposes or other financially material considerations, is delegated to the Investment Managers.
The Trustees' policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the Investment Managers on behalf of the Trustees having regard to the best financial interests of the beneficiaries. This policy is reviewed regularly.

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 considerations of financially material factors to the Investment Managers, who considers 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 Investment Manager monitor ongoing compliance with ESG and other factors, like stewardship, as a part of overall engagement.

Non-Financially material investment considerations

The Trustees do not at present take into account non-financially material factors (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.

Appendix 1: Third Party Arrangements

Advisors

The following advisors assist the Trustees:

Pensions Consultant
Goddard Perry Consulting Limited
Corinthian House
17 Lansdowne Road
Croydon
CR0 2BX

Plan Actuary
David Pettitt
Goddard Perry Actuarial Limited
Corinthian House
17 Lansdowne Road
Croydon
CR0 2BX

Plan Administrator
Goddard Perry Consulting Limited
Corinthian House
17 Lansdowne Road
Croydon
CR0 2BX

Auditor
Ensors
Cardinal House
46 St Nicholas Street
Ipswich
IP1 1TT

Legal Advisor
Norton Rose Fulbright
Kempson House
Camomile Street
London
EC3A 7AN

Investment Manager
Schroder Investment Management
31 Gresham Street
London
EC2V 7QA