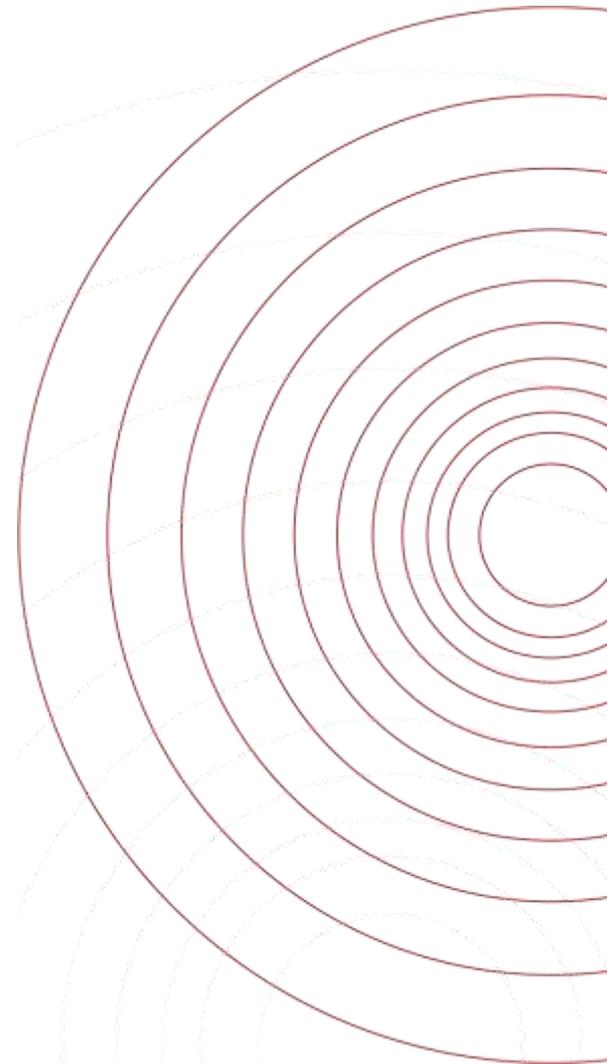




ENSIGN  
RETIREMENT  
PLAN

# CHAIR'S ANNUAL DC GOVERNANCE STATEMENT

FOR THE PERIOD ENDED 31 MARCH 2016



# CHAIR'S ANNUAL GOVERNANCE STATEMENT

31 MARCH 2016

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This statement demonstrates how Ensign Retirement Plan Trustees Limited (“the Trustee”), the corporate trustee of the Ensign Retirement Plan (“the Plan”), governs the Plan to help achieve its objectives of helping to deliver better outcomes for members at retirement. The statement relates to the scheme year which ended on 31 March 2016.

The Plan was set up under a Trust Deed and Rules dated 21 May 2015 which are available at [www.ensignpensions.co.uk/erp](http://www.ensignpensions.co.uk/erp). The Trustee governs the Plan in accordance with the Trust Deed and Rules and in accordance with relevant legislation. The Trustee comprises four Directors with relevant experience of running other complex, multi-employer pension arrangements within the maritime industry.

By signing this statement as Chair of the Trustee, I am fulfilling my legal duties, in accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, that require occupational pension schemes which provide money purchase (also called defined contribution (DC)) benefits to prepare an annual governance statement demonstrating how governance standards relating to those benefits have been assessed and met during the Plan year. This statement therefore, covers the period from 1 August 2015, when the Plan was established, to 31 March 2016, the Plan year end.

As a Trustee, our aim is to ensure the Plan is run in the best interests of our members to help them achieve their goals for retirement. We recognise that good governance is central to achieving this and this document sets out how the Plan has embraced the relevant statutory governance standards as set out in the regulations identified above. In this document, we focus on a number of specific areas of scheme governance relating to the money purchase benefits provided by the Plan, that we are required to disclose by law. Whilst this is the case, we also aim to adopt good practice governance standards across all areas of Plan management with the aim of meeting the quality standards set out in the Pensions Regulator’s DC code and DC regulatory guidance.

On behalf of the Trustee Board of the Ensign Retirement Plan, and based on a review of the Plan systems and controls in place, I believe that the Plan meets the new requirements on governance standards and helps to deliver better outcomes for members at retirement.

If you have any questions regarding this statement, or require any further information, please contact Ensign Pensions at [ERP@ensignpensions.co.uk](mailto:ERP@ensignpensions.co.uk).

Rory Murphy

Chair, Ensign Retirement Plan Trustees Limited

30 August 2016

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# THE DEFAULT INVESTMENT FUND

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The Trustee's investment strategy is implemented by its appointed money purchase provider, BlackRock Life Limited ("BlackRock"). BlackRock makes available a number of funds in which members may invest.

## THE DEFAULT INVESTMENT FUND

The Trustee has adopted the BlackRock LifePath Flexi Fund as the default investment fund for members joining the Plan. The Trustee recognises, however, that one fund is unlikely to meet the needs of all members in the Plan and members, therefore, have a choice of thirteen alternative funds to choose from. Approximately 94% of the membership are currently invested in the default fund.

## AIMS AND OBJECTIVES OF THE DEFAULT FUND

The Statement of Investment Principles, which is attached as Appendix 1 of this statement, documents the Trustee's investment principles that govern decisions about investments (both in relation to the default fund and the wider range of investment funds available to members) and the investment aims and objectives of the default fund.

The LifePath Flexi Fund is a target date fund where the underlying asset allocation of the fund automatically adjusts as the member approaches their target retirement date. The LifePath Flexi Fund is designed for members who wish to stay invested post-retirement and draw an income from their retirement account (known as "drawdown").

In setting up the Plan, the Trustee considered the membership profile, risk appetite, and likely retirement option of the initial members of the Plan. The Trustee found the BlackRock LifePath Flexi Fund to be consistent with its investment aims and objectives for the default fund by allowing members to increase the value of their retirement pot from the contributions invested, whilst protecting members in the years approaching retirement.

## REVIEWING THE DEFAULT FUND

The Trustee last reviewed the investment strategy of its default arrangement when it was adopted in July 2015, prior to the establishment of the Plan on 1 August 2015. The Trustee receives quarterly reports from BlackRock on the performance of the default fund and compares this against the fund's performance objective and benchmark. The Trustee is however, mindful of the long-term nature of investment funds and therefore, plans to carry out a fuller review of the default fund in 2018. This review will be brought forward if there is a significant change in investment policy or the demographic profile of the membership and will take into account developments in the investment market and membership profile, including information gathered on members' risk appetite and options taken at retirement.

# ADMINISTRATION

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## CORE FINANCIAL TRANSACTIONS

The Trustee recognises that there are a number of core financial transactions that must be processed promptly and accurately on behalf of members of the Plan to help deliver better outcomes for them. These core financial transactions include, but are not limited to:

- the receipt of all contributions to the Plan;
- the investment of contributions to the Plan;
- the transfer of assets relating to members into and out of the Plan;
- the transfer of members' assets between different investments within the Plan; and
- payments from the Plan to, or in respect of, members.

## CONTROLS AND PROCESSES

The Trustee has appointed BlackRock to provide administration and fund management services to the Plan. A number of processes and controls are in place with BlackRock to ensure that all core financial transactions are processed promptly and accurately. These include:

- Processing of core financial transactions in accordance with a strict governance framework that complies with International Standard on Assurance Engagements 3402, "Assurance Reports on Controls at a Service Organisation".
- Reviewing of supporting documentation for financial transactions before processing commences.
- Reviewing of financial transactions that have been keyed into the record keeping system for completeness and accuracy by a senior administrator.
- Logging and tracking of financial transactions into a work management system to ensure these are actioned on a timely basis and completed in accordance with agreed service standards.
- Verification and validation of the contributions being submitted by employers in comparison with the amounts expected.
- Daily reporting to check that all dealing activities are completed accurately and on a timely basis.
- Issuing reminders to employers to submit contributions where these have not been received within the agreed timescales.
- Annual verification of members' pensionable salary and contribution rate with the participating employers on a sample basis.
- Dealing activities with guest fund managers include authorisation by two approved signatories.
- Daily reconciliation between holdings on the record-keeping system and the dealing system are designed to highlight any discrepancies.

# ADMINISTRATION (cont'd)

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## ASSURANCES

In addition, a number of activities are undertaken by or on behalf of the Trustee to provide assurance that contributions are submitted accurately and promptly by employers and core financial transactions are processed promptly and accurately by BlackRock. These include:

- Monitoring of quarterly administration reports from BlackRock to assess the timeliness of employer contribution submissions over the period. Any instances of late payments are investigated to determine the cause of the late payment, whether it is necessary to report the late payment to the Pensions Regulator and to resolve the overdue payment.
- Monitoring of quarterly administration reports from BlackRock to assess BlackRock's performance against defined service level agreements relating to the processing of core financial transactions. These are discussed with BlackRock on a quarterly basis, actively challenged where necessary, and reviewed at each Trustee Board meeting.
- Monitoring of quarterly administration reports from BlackRock to assess the promptness with which contributions are invested by BlackRock following submission by employers. These are discussed with BlackRock on a quarterly basis and reviewed at each Trustee Board meeting.
- Annual review of the AAF 01/06 Pensions Administration assurance report prepared by BlackRock.
- Annual examination to test the accuracy of contributions and promptness of submissions.

I am confident that these processes and controls are robust and enable core financial transactions to be handled promptly and accurately.

# COSTS AND CHARGES

The Trustee is delighted to be able to offer members access to a high-quality pension scheme at a yearly cost that is well below the statutory maximum of 0.75%.

## THE DEFAULT INVESTMENT FUND

### Charges

Members in the default investment arrangement, the BlackRock LifePath Flexi Fund, are charged a single Annual Management Charge (AMC) of 0.36% of funds under management, deducted from their retirement account. This single charge includes provisions for any additional expenses, including transaction costs, incurred by the Fund such that no further expenses are borne by the members.

### Value for members

The Trustee is confident that the annual management charges applying to the Plan's default investment fund are extremely competitive, as shown by the table below which compares the charges applying to the Ensign Retirement Plan and several of the largest UK master trusts for investing in the respective default arrangements:

Master trust arrangement	Charges applied to members
Ensign Retirement Plan	0.36% AMC
The Pensions Trust	0.45% AMC
National Employment Savings Trust	0.30% AMC + 1.8% contribution charge
The People's Pension	0.50% AMC
NOW: Pensions	0.30% AMC + £1.50 per month admin charge

There are no hidden charges or fees for members participating in the Plan: members are not charged for switching their fund, changing their retirement date or transferring their pot.

In return for this single annual charge, the benefits received by members in the Plan include:

- High quality administration services;
- A sophisticated default investment fund and broad range of self-select options that have performed positively over the period;
- High quality governance and oversight by the Trustee Board and Secretariat team;
- Clear communications that are tailored to the maritime industry and reinforce important messages for members to achieve a good outcome at retirement;
- Clear communications regarding options before, at and during retirement;
- Online website showing daily pricing of members' retirement accounts;
- An online retirement planner that projects the growth of members' accounts to retirement and models the annual income that could be received during retirement; and
- Flexibility in how and when members use their retirement account at retirement.

In addition, no further expenses, including transaction costs, are borne by the members. Any additional expenses that may be incurred by the default investment fund are assumed by BlackRock. The Trustee considers this transparency and constancy to be of great value to the members.

# COSTS AND CHARGES (cont'd)

## SELF-SELECT INVESTMENT OPTIONS

### Annual Management Charges

The charges applied to members who choose to invest in other funds available through the Plan are set out in the table below:

Fund	AMC (%)	Additional Expenses (%)	TER* (%)
BlackRock LifePath Cash Fund	0.36	0.00	0.36
BlackRock LifePath Retirement Fund	0.36	0.00	0.36
DC Aquila (30:70) Currency Hedged Global Equity Index	0.37	0.04	0.41
DC Aquila UK Equity Index	0.35	0.01	0.36
DC Aquila Emerging Markets Equity Index	0.50	0.07	0.57
DC Aquila Over 15 Year Gilt Index	0.35	0.01	0.36
DC Aquila All Stocks UK Index Linked Gilt Index	0.35	0.01	0.36
DC Aquila Corporate Bond All Stocks Index	0.35	0.02	0.37
DC Cash	0.30	0.03	0.33
DC Property	1.00	0.03	1.03
HSBC Amanah Pension Fund	0.70	0.00	0.70
LGIM Ethical Global Equity Index	0.60	0.00	0.60
Schroder Dynamic Multi Asset Fund (DMAF)	0.75	0.05	0.80

\*Total Expense Ratio

The additional expenses shown above include all other operating costs and expenses within the fund, including fund administration, custody and professional fees, but exclude transaction costs.

### Transaction Costs

The Trustee has requested from BlackRock a breakdown of the transaction costs applicable in respect of the members' self-select funds in the Plan. BlackRock has however, advised that in the absence of regulatory clarity on the content and methodology that should be used by investment managers to disclose fund transaction costs, BlackRock will only provide its clients with costs that are explicitly disclosed by the fund accountants and which may be independently verified. The transaction costs shown overleaf therefore include only explicit transaction commission (e.g. equity broker commission) and transaction taxes (e.g. stamp duty reserve tax) that were actually charged to certain funds during the period 1 January to 31 December 2015, despite the Plan only being operational from 1 August 2015.

# COSTS AND CHARGES (cont'd)

Fund	Transaction Commission	Transaction Taxes
BlackRock LifePath Cash Fund	n/a*	n/a*
BlackRock LifePath Retirement Fund	n/a*	n/a*
DC Aquila (30:70) Currency Hedged Global Equity Index	0.40	0.49
DC Aquila UK Equity Index	0.05	1.38
DC Aquila Emerging Markets Equity Index*	Not available	Not available
DC Aquila Over 15 Year Gilt Index*	0	n/a
DC Aquila All Stocks UK Index Linked Gilt Index	0.01	n/a
DC Aquila Corporate Bond All Stocks Index*	0.08	n/a
DC Cash	Not available	Not available
DC Property*	Not available	Not available
HSBC Amanah Pension Fund*	Not available	Not available
LGIM Ethical Global Equity Index*	Not available	Not available
Schroder Dynamic Multi Asset Fund (DMAF)*	Not available	Not available

\* Transaction costs incurred are not charged to members above the annual management charge of 0.36%

\*No assets relating to members were invested in these funds during the period

The Trustee is supportive of providing total transparency to members on the costs and charges applicable to the investment funds in the Ensign Retirement Plan that will help them make more informed decisions concerning their investments. Further advice and guidance is expected on what additional transaction costs should be disclosed by investment managers to their clients. Once this is received, the Trustee will work with BlackRock to ensure that relevant information is communicated to members in an effective and meaningful way.

## Value for members

The Trustee considers the annual management charges of the self-select investment funds to be competitive and appropriate to the nature of the individual funds.

The Trustee also recognises that additional charges and transaction costs are necessarily incurred as part of buying and selling the funds' underlying investments in order to achieve their investment objective, and cannot be predicted in advance. The Trustee is mindful that transaction costs are likely to vary depending on the types of investments in which a fund invests and do not necessarily reduce returns. The performance of each fund is reviewed after the deduction of transaction costs, allowing the Trustee to assess the extent to which transaction costs represent good value to members in the context of the net impact of dealing on performance.

The Trustee expects that once further advice is received on what additional transaction costs should be disclosed by investment managers, it will be able to compare the costs incurred by members investing in the self-select investment options against those incurred by other funds.

# COSTS AND CHARGES (cont'd)

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## OTHER CONSIDERATIONS

The Merchant Navy Officers Pension Plan (the “MNOPP”) was set up in 1996 and provided money purchase benefits for officers in the maritime industry. Following the closure of the MNOPP to new contributions from 31 July 2015, the Esnign Retirement Plan Trustee agreed to accept a bulk transfer of members and members’ benefits into the Plan. The transfer of members’ benefits took place in September 2015. As part of this exercise, the Trustee acknowledged that some costs would be incurred by members due to the buying and selling of units. Whilst this is the case, the Trustee is confident that the charges incurred, as well as members’ exposure to out of market risks, were kept to a minimum.

The Plan was awarded the Pensions Quality Mark READY accreditation in August 2015, demonstrating it meets independent industry standards of governance, communications and charges. The Trustee is required to demonstrate on an annual basis how it continues to meet these industry standards.

Key elements of the Plan’s design and communications are included on the Plan’s risk register and reviewed by the Trustee on an annual basis.

## SUMMARY

The Trustee has assessed the various charges applying to the default investment fund and self-select fund options and, based on the information available, considers the charges to represent good value for members.

In reaching this decision, the Trustee focused on the annual management charges incurred by members, both in comparison with other master trust arrangements and taking into account the benefits they receive in return for such payments. The Trustee also took into account the information available on any additional charges and transaction costs incurred by members as well as considering the costs involved in the bulk-transfer exercise that was carried out when the Plan was set up.

# TRUSTEE KNOWLEDGE AND UNDERSTANDING

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The Trustee Directors recognise the importance of ensuring that collectively they possess or have access to the knowledge and understanding necessary to govern the Plan effectively. When assessing the Trustee Directors' collective knowledge and understanding, three key areas are considered: the appointment of new Trustee Directors, the ongoing training and development of Trustee Directors, and the support and advice received by the Trustee.

## THE APPOINTMENT OF NEW TRUSTEE DIRECTORS

The Trustee has adopted a policy for the appointment of Trustee Directors. This, in part, ensures that the Trustee meets the legislative requirements concerning the composition of trustee boards and also ensures that Trustee Directors are selected and appointed based on the qualities, skills and experience that they would bring to the Trustee Board.

Each of the Trustee Directors were appointed in accordance with this policy, on the basis that they were considered fit and proper to carry out their roles and have demonstrated they hold relevant skills, technical knowledge and experience relevant to their role as Trustee Directors. This includes experience of serving as trustee directors on the trustee boards of other DC pension schemes, exposure of other multi-employer industry-wide pension schemes, understanding in how to communicate with members and employers, and evidence of developing positive relationships with employers, the Pensions Regulator, the Department for Work and Pensions and other industry bodies.

## ONGOING TRAINING AND DEVELOPMENT OF TRUSTEE DIRECTORS

As part of the Trustee's adopted training policy that outlines the training requirements of all Trustee Directors throughout their tenure on the Trustee Board, all Trustee Directors are required, on appointment, to read and be conversant with the main documents and policies of the Plan, including but not limited to:

- the Trust Deed and Rules of the Plan;
- the Memorandum and Articles of Association of the Trustee;
- the Plan's Statement of Investment Principles; and
- the members' booklet.

As part of the establishment of the Plan in 2015, the Trustee received advice from a range of professional advisers, including investment advisers and legal advisers, to support the decisions made regarding the design of the Plan and governance structure. During this time, the Trustee Directors considered the benefit structure of the Plan, and received training on the retirement options available to members and how the investment strategy of the Plan's default investment fund is designed to target each of the new flexible retirement options which were introduced by the Government on 6 April 2015.

Trustee Directors are encouraged to attend seminars and conferences, specific to DC schemes, to keep up to date on best practice governance standards. The Trustee also receives updates from its Secretariat team on regulatory changes that may affect the Plan. Any training received by the Trustee Directors, either individually or collectively, is recorded on the Trustee's skills, knowledge and training log.

# TRUSTEE KNOWLEDGE AND UNDERSTANDING (cont'd)

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As Chair of Trustees, I regularly engage with individual Trustee Directors to ensure we provide sufficient opportunities for their skills and knowledge to be kept up to date, and each Trustee Director completes a Trustee Knowledge and Understanding questionnaire on an annual basis to identify any training needs that may be required.

## SUPPORT AND ADVICE RECEIVED BY THE TRUSTEE

The Trustee has appointed various advisers and service providers to advise on and manage certain aspects of the Plan. This includes a Secretary to the Trustee, an administration and investment manager and a legal adviser.

These advisers and service providers ensure that the Trustee keeps abreast of changes in industry best practice, legislation and regulations relating to DC pension schemes. In addition, the Trustee receives advice and guidance prior to making decisions to ensure members' interest are protected.

The Trustee has established a contract for services with each provider and understands the terms and conditions relating to the contract. The Trustee has documented, and reviews on an annual basis, the functions it delegates to its service providers to ensure it retains sufficient oversight of the delegated functions.

Taking into account the wealth of experience, knowledge and understanding of each of the Trustee Directors, as well as the professional advice that is available to them, I am confident that the Trustee Board has the right mix of skills and competencies to ensure the Plan is well governed and properly managed.

## TRUST DEED AND RULES

In accordance with Regulation 6A(1) of the Occupational Pension Scheme (Administration) Regulations 1996, the Trust Deed and Rules do not contain provisions that would restrict who the Trustee may appoint to provide administration, fund management, advisory or any other services in respect of the Plan.

## RELEVANT MULTI-EMPLOYER SCHEMES

The Ensign Retirement Plan is a relevant multi-employer scheme and must, therefore, comply with the additional requirements relating to governance.

The Trustee is currently made up of four Directors. All Directors have been appointed via the Trustee's adopted policy for appointing member-nominated and employer-nominated Directors, which has been developed against the backdrop of recent pensions legislation concerning the appointment of member-nominated trustees (Sections 241 - 243 Pensions Act 2004 and the Occupational Pension Schemes (Member-nominated Trustee and Director) Regulations 2006), and the DC governance requirements (the Occupational Pension Schemes (Charges and Governance) Regulations 2015).

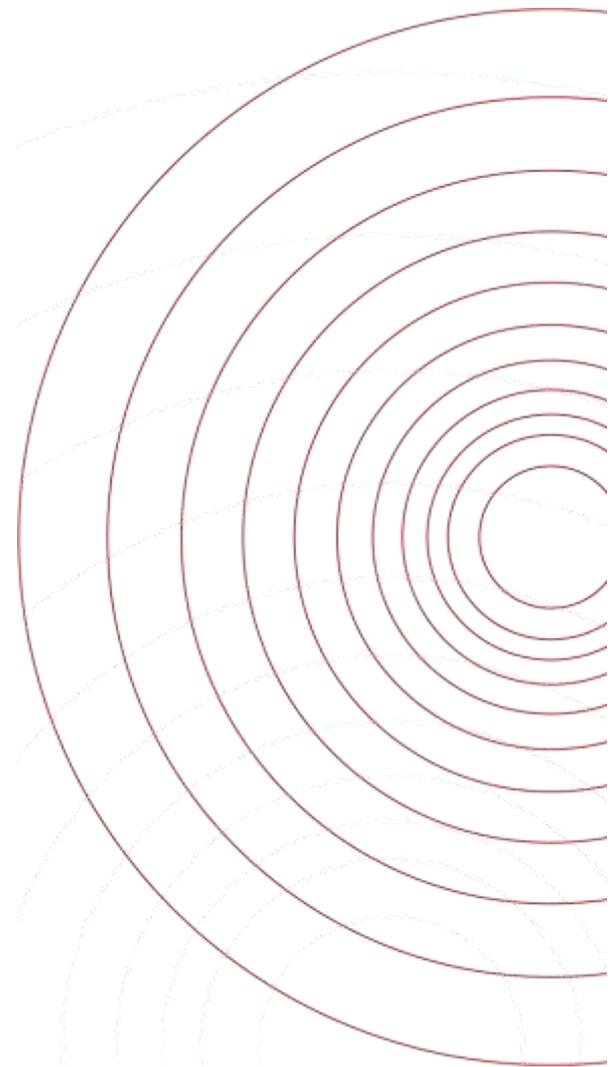
Accordingly, all four Directors, including myself as the Chair of Trustees, have been appointed through an open and transparent process and are considered non-affiliated for the purposes of the DC governance requirements. This means that the Directors are not associated with any company that provides administration, investment, advisory or any other services in respect of the Plan.

Two Directors have been nominated by a recognised trade union that, in the opinion of the Trustee, represents the members in the Plan, in order that members, or their representatives, can make their views on matters relating to the Plan known to the Trustee.

# APPENDIX

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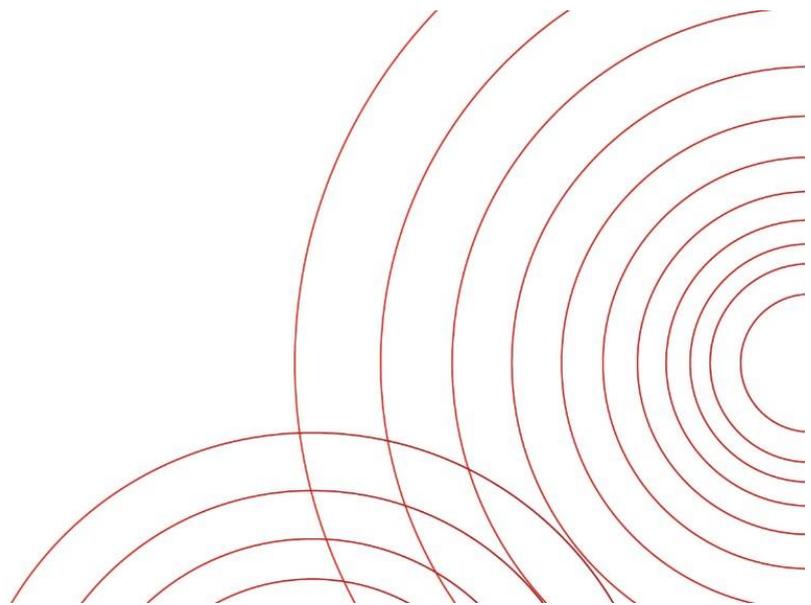
## STATEMENT OF INVESTMENT PRINCIPLES





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# STATEMENT OF INVESTMENT PRINCIPLES



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## 1. INTRODUCTION

The Ensign Retirement Plan Trustee (“the Trustee”) has produced this Statement of Investment Principles (the “Statement”). This outlines the principles governing any investment decisions made by, or on behalf of, the Trustee for the management of the assets held in the Ensign Retirement Plan (the “Plan”) and sets out how these assets are invested. The Statement also demonstrates how the Trustee will monitor and review the ongoing suitability of the investment strategy for the members in the Plan.

The Plan is a defined contribution (DC) pension plan with the sole purpose of providing retirement and death benefits to members.

The Trustee confirms that this Statement has been prepared in accordance with relevant legislation and best practice guidelines. In preparing the Statement, the Trustee sought advice from an independent investment adviser, Hymans Robertson, and took into account its investment powers under the Trust Deed and Rules. It also considered the suitability of different types of investments, the need to diversify, liquidity of assets, the custodianship of assets and any self-investment.

This Statement of Investment Principles will be reviewed regularly or whenever changes to the principles or strategy are necessary. Any changes that are required to this Statement will be carried out on the advice of an appropriately qualified investment adviser.

## 2. INVESTMENT OBJECTIVES

The Trustee has a straightforward overall goal for the Ensign Retirement Plan: to help improve the retirement outcomes for those working in the maritime industry.

The Trustee recognises, however, that members have differing needs at retirement and therefore, differing investment needs, and that these may change during the course of their working lives. It also recognises that members have different attitudes to risk. The Trustee believes that the Plan should offer an investment option which is likely to suit the majority of members, however, the Trustee also believes that members should be able to make their own investment decisions based on their individual circumstances. The Trustee’s objective is, therefore, to make available an investment fund that will be suitable for most members (the fund that the Trustee has selected for this purpose is the BlackRock LifePath Flexi Fund), as well as a range of other investment options that, whilst not being too complicated, should help members in achieving the following objectives:

- a. Increasing the value of their retirement pot from the contributions invested.
- b. Protecting the value of their retirement pot in the years approaching retirement against market falls.
- c. Protecting the value of their pot when converted into usable benefits.
- d. Tailoring their investments to meet their own needs.

## 3. INVESTMENT BELIEFS

### 3.1 DIVERSIFICATION

- Subject to the funds' benchmarks and guidelines, the investment managers are given full discretion over the choice of stocks and are expected to maintain a mixed range of assets.
- Given the size and nature of the Plan, the Trustee has decided to invest on a "pooled fund" basis; any such investment is carried out through an investment provider.
- The Trustee is satisfied that the range of funds in which the Plan invests, provides adequate diversification and a suitable range of options for the Plan's members.
- The Trustee has included a number of "target-date" funds in its investment offering, which aim to meet the needs of members at different stages of their working life. Further details are included below.

### 3.2 BALANCE BETWEEN DIFFERENT KINDS OF INVESTMENTS

- The Trustee has ensured that there is a suitable number of alternative investment options available to members. In addition to the BlackRock LifePath Flexi Fund, the Trustee has introduced two other target date fund series, one which targets cash withdrawal, and another that targets annuity purchase at retirement. Details are shown in Appendix 1.
- For members who wish to make their own asset allocation decisions, the Trustee has introduced a range of funds from various asset classes. The Trustee has been careful not to introduce a wide range of funds to avoid confusing members, Details of these funds are shown in Appendix 1.

### 3.3 RISK

- The Trustee has considered risk from a number of perspectives. These are:
  - a) The risk that the investment returns over members' working lives will not keep pace with inflation and does not, therefore, secure an adequate pension.
  - b) The risk that market movements in the period prior to retirement lead to a fall in the members' retirement pot.
  - c) The risk that market movements in the period just prior to retirement lead to an increase in the cost of turning members' fund values into retirement benefits.
  - d) The risk that an investment manager will not deliver investment returns in line with investment markets generally or other investment managers.
  - e) The risk that funds which invest in assets which take longer to sell (are illiquid), such as property, will not be able to buy or sell these assets when asked to do so by the Trustee and/or members.
  - f) The risk that an entity holding derivative based assets may default leading to a reduction in a fund's value.
- To help mitigate the most significant of these risks, the Trustee has made available the target date fund options, which transition members' investments from higher risk investments to lower risk investments as members approach retirement.

### 3.4 EXPECTED RETURN ON INVESTMENTS

- The objective of the BlackRock LifePath Flexi Fund is to achieve a positive real return over the longer term.
- The Trustee is satisfied that this return objective is consistent with the aims of the members.

### 3.5 KIND OF INVESTMENTS TO BE HELD

- The Plan may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index-linked bonds, cash, property and pooled investment vehicles considered appropriate for tax-exempt approved occupational pension schemes.
- Some funds may invest in Exchange Traded Funds to gain access to less easily traded and illiquid asset classes.
- Some funds may include investments through derivatives to facilitate changes in the fund's portfolio of assets or help lessen investment risks or to improve investment returns.
- The Trustee considers all of the stated classes of investment to be suitable for the Plan.

### 3.6 REALISATION OF INVESTMENTS

- Investments may be sold to provide funds to make payment of benefits under the Plan or where members have asked to switch funds. If there is an unexpected need to sell all or part of the assets of the portfolio, the Trustee requires the investment managers to be able to sell the Plan's investments in a reasonable timescale, but taking into account the market conditions at that time. Most of the Plan's assets are not expected to take too long to sell.

### 3.7 SOCIAL, ENVIRONMENTAL AND ETHICAL ISSUES

- The Trustee has asked that the provider/investment managers have the financial interests of the Plan members as their first priority when choosing investments. They may take social, environmental or ethical considerations into account only when these factors do not conflict with the prime objective.
- The Trustee has reviewed the investment managers' policy in respect of Socially Responsible Investing and is satisfied that it is in line with the above approach.
- The Trustee offers a dedicated ethical investment option for those members who may have ethical considerations as an overriding investment consideration, and an option to invest in a fund which is managed in compliance with Shariah law.

### 3.8 VOTING RIGHTS ATTACHING TO INVESTMENTS

- The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the provider/investment managers and to encourage them to exercise those rights when they believe there could be a potential financial impact on the portfolio. The Trustee will review the provider's/investment managers' governance policies from time to time.

### 3.9 CHARGES

- The Plan is a qualifying scheme for auto-enrolment purposes and so the BlackRock LifePath Flexi Fund must comply with the charge cap introduced by the Pensions Act 2014 which applies from April 2015.

## 4. DELIVERING THE INVESTMENT OBJECTIVES

The Trustee recognises that from time to time, there will be tension in delivering the objectives detailed above, but looks for an appropriate balance between them.

### BLACKROCK LIFEPATH FLEXI FUND

The Trustee has selected the BlackRock LifePath Flexi Fund as the fund into which members will automatically be invested, that aims to help members grow their assets whilst protecting their savings as the member approaches retirement through the use of a series of target-date funds. These funds reflect changing investment needs by gradually altering each fund's investment mix as members near their target retirement date, thereby managing over time the principal investment risks faced by members: inflation, fluctuations in fund values (when this is significant) and converting the fund value into benefits at retirement.

After analysing the Plan's membership profile and projected fund values, the Trustee believes that the fund into which members are automatically enrolled should target the form of benefits that is likely to meet the needs of the majority of members: withdrawing benefits from a registered pension scheme.

With the above in mind, the Trustee has chosen the BlackRock LifePath Flexi fund range as the investment option into which members will be automatically enrolled.

LifePath Flexi is designed for members who will drawdown their benefits during in their retirement to provide income. The final asset allocation is a diverse allocation which is allocated to 40% growth assets and 60% more cautious assets. This is designed so that the portfolio can continue to be invested during retirement while income is being drawn from it. Please refer to Appendix 1 for more detail on the BlackRock LifePath fund.

### ADDITIONAL FUND OPTIONS

The Trustee recognises that the BlackRock LifePath fund will not meet the needs of all members, so a selection of more specialised funds is offered to members who want to make active investment choices. Having considered the advice of an investment adviser, the Trustee has selected a range of funds from equity, property, bond and money market asset classes as well as absolute return and multi-asset funds, and are considered broadly suitable for the majority of members:

- BlackRock DC LifePath
- BlackRock DC Aquila (30:70) Currency
- BlackRock DC Aquila UK Equity Index
- Schroder Dynamic Multi Asset Fund (DMAF)
- BlackRock DC Cash
- BlackRock DC Aquila Emerging Markets
- BlackRock DC Aquila Over 15 Year Gilt Index
- BlackRock DC Aquila Corporate Bond All Stocks
- LGIM Ethical Global Equity Index
- HSBC Amanah Pension Fund
- BlackRock DC Property
- BlackRock DC Aquila All Stocks UK Index

Please refer to Appendix 1 for more detail on the alternative funds offered.

The Trustee does not give advice to individual members on their fund selections. Members are encouraged to take independent financial advice when making their individual investment choices.

## 5. GOVERNANCE

### 5.1 ULTIMATE RESPONSIBILITY

All investment decisions of the Plan are under the Trustee's control and the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

The Trustee's main investment responsibilities include:

- Preparation of the Statement of Investment Principles and reviewing the content of the Statement and modifying it where necessary, in consultation with an appropriately qualified investment adviser.
- Appointing investment managers, investment advisers and other advisors as necessary for the good stewardship of the Plan.
- Assessing the performance and processes of the investment managers by means of regular reviews of the funds' investment performance and other information.
- Monitoring compliance of the investment arrangements with this Statement on a regular basis.

### 5.2 DAY-TO-DAY MANAGEMENT

The investment platform through which the Plan's investment options are operated is provided by BlackRock Life (UK) Limited ("BlackRock") whose main investment responsibilities include:

- The prompt investment of contributions.
- Maintaining records of the members' investments.
- Selling investments to pay benefits.

All day-to-day investment management decisions have been delegated to investment managers authorised under the Financial Services & Markets Act 2000 whose main responsibilities include:

- Ensuring that investment of the Plan's assets is in compliance with prevailing legislation and within the constraints detailed in this Statement.
- Providing the Trustee with quarterly reports including any changes to Investment Managers' processes and a review of the investment performance.
- Attending meetings with the Trustee as and when required.
- Informing the Trustee of any changes in the internal performance objective and guidelines of any pooled fund used by the Plan as and when they occur.
- Exercising voting rights on share holdings in accordance with their general policy.
- Following its general policy on socially responsible investment.

### 5.3 DAY-TO-DAY CUSTODY

The Plan's assets will be held on a day-to-day basis by the investment manager's appointed custodian.

### 5.4 MONITORING

#### 5.4.1 INVESTMENT PERFORMANCE

- Each of the funds in which the Plan invests has a stated performance objective by which the performance is measured.
- The Trustee will review the performance of the appointed investment manager from time to time, based on the results of their performance and investment process.

#### 5.4.2 BLACKROCK LIFEPATH FLEXI FUND

- The Trustee monitors the suitability of the BlackRock LifePath Flexi Fund's objectives from time to time.
- The Trustee monitors the performance of the BlackRock LifePath Flexi Fund against its objectives from time to time.

#### 5.4.3 CHARGES

- The charges for the investment options (expressed in terms of each fund's "Total Expense Ratio") are monitored by the Trustee to make sure that they represent "value for money" compared to the investment objectives of each fund.
- The BlackRock LifePath Flexi Fund's compliance with the charge cap is checked on a regular basis.

#### 5.4.4 TRANSACTION COSTS

- The Trustee recognises that transaction costs (both on the investment management of the funds' underlying portfolio of assets and the "spread" upon buying or selling the funds) may impact the investment returns experienced by members.
- The Trustee will monitor the funds' transaction costs to make sure they are reasonable and appropriate.

#### 5.4.5 INVESTMENT PROCESS

- The Trustee monitors the processing of investments, to ensure that contributions in respect of members are invested into the appropriate investment options in a timely manner.

### 5.5 COMPLIANCE

The Trustee is satisfied the funds offered to members by the appointed investment managers are in line with the objectives of the Plan, particularly in relation to diversification, risk, expected return and liquidity. The choices that are made available are reviewed on a regular basis.

**Signed on behalf of the Trustee of the Plan by:**

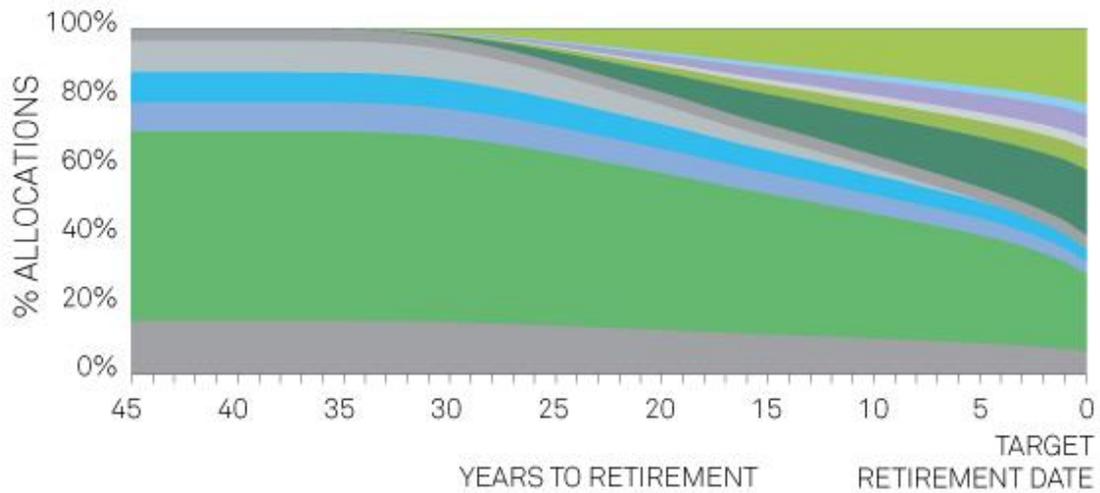
**Rory Murphy**  
**Director**

**John McGurk**  
**Director**

## APPENDIX 1 – PLAN INVESTMENT OPTIONS

Charts to show how the percentage invested in each asset class with the target date funds changes as the member approaches their chosen target retirement date.

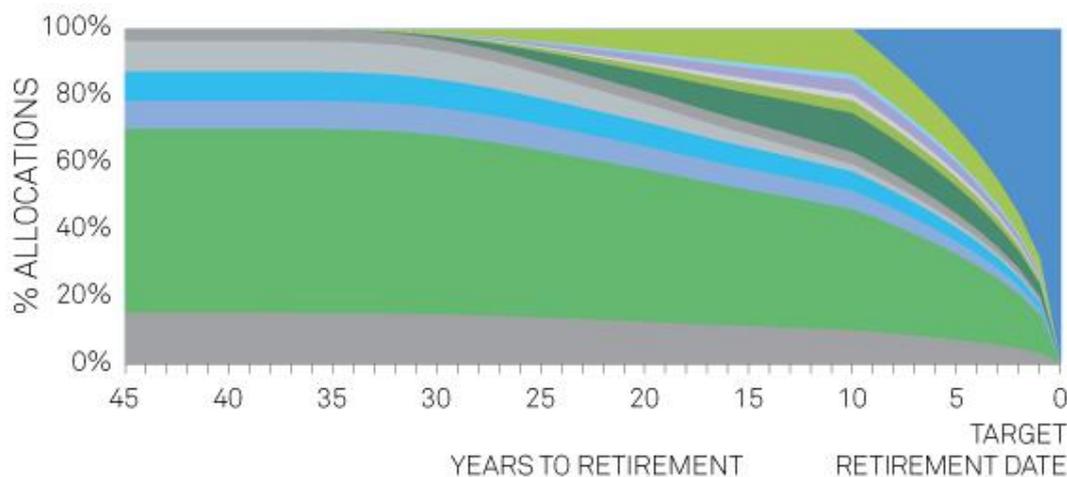
BlackRock DC LifePath Flexi (targets income drawdown)



BlackRock DC LifePath Retirement (targets annuity purchase at retirement)



BlackRock DC LifePath Capital (targets cash withdrawal at retirement)



BlackRock uses the following funds to invest assets in the charts shown above.

Asset Class	Fund
UK Equities	Aquila Life UK
Global Equities	Regional Aquila Life funds
Global Small Capitalisation Companies Equities	Regional Small cap funds
Emerging Markets	Emerging Markets Index sub-fund
Property	Global property tracker
Commodities	iShares Diversified Commodity Swap UCITS ETF
UK Corporate Bonds	Aquila Life Corporate Bond Fund All Stocks Fund
UK Gilts	Aquila Life All Stocks UK Gilt fund
Overseas Corporate Bonds	BlackRock Overseas Corporate Bond Tracker
Overseas Government Bonds	Aquila Life Overseas Bond fund
Emerging Bonds	Emerging Markets Government Bond Index fund
Annuities Proxy	DC Pre-Retirement fund
Cash	DC Cash fund

### Additional Fund Range

Asset Class	Fund	Objective	Benchmark
<b>Global Equity</b>	BlackRock DC Aquila (30:70) Currency Hedged Global Equity Index	This fund invests primarily in equities, both in the UK and overseas markets. The Fund has approximately 30% invested in the shares of UK companies. 60% of the assets are invested at market capitalisation weights into developed overseas equities with the currency exposure hedged back to sterling and the remaining 10% is invested into Emerging Market Equities.	30% FTSE All-share Index, 60% Developed Overseas Equities with currency exposure hedged back to sterling and 10% Emerging Market Equities
<b>UK Equity</b>	BlackRock DC Aquila UK Equity Index	Invests in shares of UK companies and aims to produce a return in line with its benchmark.	FTSE All Share Index
<b>Diversified Growth Fund (DGF)</b>	Schroder Dynamic Multi Asset Fund (DMAF)	The fund's investment objective is to deliver positive returns over a market cycle based on long-term capital growth and income through investment in collective investment schemes as well as directly held transferable securities, derivatives, cash, deposits, warrants and money market instruments. The fund may gain exposure to alternative asset classes including but not limited to property, commodities, hedge funds and private equity directly where permitted or through investment in transferable securities and other permitted assets which themselves invest in these asset classes.	UK CPI + 4%
<b>Cash</b>	BlackRock DC Cash	Aims to produce a return in excess of its benchmark principally from a portfolio of Sterling denominated cash, deposits and money-market instruments.	7 Day LIBID Rate

<b>Emerging Markets Equity</b>	BlackRock DC Aquila Emerging Markets Equity Index	The Fund objective is to achieve a return that is consistent with the return of the MSCI Global Emerging Markets Index.	MSCI Global Emerging Markets Index
<b>Long Dated Gilt</b>	BlackRock DC Aquila Over 15 Year Gilt Index	Invests in UK government bonds with a maturity period of 15 years or longer and aims to produce a return in line with its benchmark.	FTSE UK Gilts Over 15 Years Index
<b>Corporate Bond</b>	BlackRock DC Aquila Corporate Bond All Stocks	This fund invests in investment grade corporate bonds denominated in sterling. The fund aims to achieve a return consistent with the iBoxx £ Non-Gilts Index. This index covers the broad spectrum of investment grade corporate bonds in issue.	iBoxx £ Non-Gilts Index
<b>Ethical Equity</b>	LGIM Ethical Global Equity Index	Invests mainly in overseas equities within the FTSE4Good Global Equity Index and aims to track the return of its benchmark.	FTSE4Good Global Equity Index
<b>Sharia Law compliant</b>	HSBC Amanah Pension Fund	Invests in company shares from around the world and is compliant with Islamic Shariah principles.	Dow Jones Islamic Titan Index
<b>Commercial Property</b>	BlackRock DC Property	The Fund has a diversified exposure to a range of commercial property assets such as offices, shopping centres, retail warehouse parks and industrial estates. The Fund gains its exposure to these assets by investing in a number of underlying pooled property funds.	IPD All Balanced Property Funds Index
<b>Index Linked Gilts</b>	BlackRock DC Aquila All Stocks UK Index Linked Gilt Index	This fund invests in UK government index-linked securities (gilts). The fund aims to achieve a return consistent with the FTSE UK Gilts Index-Linked All Stocks Index, which is widely regarded as an appropriate benchmark for UK pension fund investment in the index-linked UK gilt market	FTSE Inflation Linked All Stocks Gilt

## Charges

### Investment Manager

The following charges are applied to the monies invested in the funds offered by the Trustee:

Fund	Annual Management Charge (AMC)	Additional Expenses *	Total Annual Charge **
BlackRock DC LifePath	0.36	0.00	0.36
BlackRock DC Aquila (30:70) Currency Hedged Global Equity Index	0.37	0.03	0.41
BlackRock DC Aquila UK Equity Index	0.35	0.01	0.36
Schroder Dynamic Multi Asset Fund (DMAF)	0.75	0.05	0.80
BlackRock DC Cash	0.30	0.03	0.33
BlackRock DC Aquila Emerging Markets Equity Index	0.50	0.07	0.57
BlackRock DC Aquila Over 15 Year Gilt Index	0.35	0.01	0.36
BlackRock DC Aquila Corporate Bond All Stocks	0.35	0.02	0.37
LGIM Ethical Global Equity Index	0.60	0.00	0.60
HSBC Amanah Pension Fund	0.70	0.00	0.70
BlackRock DC Property	1.05	0.02	1.03
BlackRock DC Aquila All Stocks UK Index Linked Gilt Index	0.35	0.01	0.36

\* Additional expenses are all the other operating costs and expenses (OCEs) within the fund, including the known fixed cost of operating the funds (fund administration, custody and professional fees), but excludes transaction costs. These costs can vary from fund to fund and from time to time, but are accurate as at April 2015.

\*\* The Total Annual Charge is also known as a fund's "Total Expense Ratio" (TER) and is the total of a fund's AMC and OCE. It excludes transaction costs on the fund's underlying assets.

The AMC and Total Annual Charge includes the platform provider's charges including the charges for the routine administration of the Plan and to meet some of the Trustee's costs in operating the Plan.

The charges for the investment options are paid for by the members.