






**Endsleigh Insurance Services Limited Pension and Assurance Scheme
Chair's Statement regarding DC¹ governance for the year ending 31 December 2019**

Summary

This statement is prepared by the Trustee of the Endsleigh Insurance Services Limited Pension and Assurance Scheme (the "scheme") to comply with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended 6 April 2015). Under these regulations the Trustee board is required to include certain information in this statement.

The statement also sets out the work carried out by the Trustee for the 12 months ended 31 December 2019 to assess whether the scheme provides value for members in relation to the charges paid. To do this, the Trustee looked at a number of different areas as summarised in the table below. More information can be found in the pages that follow.

	Key points:	Rating	Link
Default investment arrangements: The Trustee is required to review the default investment strategies at least every three years and to monitor performance against its investment aims and objectives.	The funds have either outperformed or matched the benchmark over the year. The Trustee will carry out an investment review in 2020.		Default investment
Core financial transactions: The Trustee is required to make sure that core financial transactions (e.g. transfers out) are processed promptly and accurately.	The Trustee receives regular reports from the administrator and monitors performance against agreed service levels. Based on this the Trustee considers that the core financial transactions have been processed promptly and accurately during the scheme year.		Core financial transactions
Value for Members: The Trustee is required to assess the extent to which the charges, and as far as possible transaction costs, paid by the members represent value for money.	The Trustee carried out an assessment using the methodology set out by The Pensions Regulator. This concluded that the scheme provided value for members, although the charges will be considered as part of the investment review.		Value for members
Trustee Knowledge and understanding: The Trustee directors are required to meet certain standards of knowledge and understanding to ensure they are able to properly exercise their duties as Trustee directors.	The Trustee directors take personal responsibility for keeping themselves up to date with relevant developments and believe that this, combined with the use of advisers and the specialist knowledge available within the employer, enables them to properly exercise their duties as Trustee directors.		Trustee knowledge
Governance: The Trustee is required to carry out an annual assessment against The Pensions Regulator's Code of Practice 13 for the governance of DC schemes.	The Trustee carried out an assessment against the Code of Practice 13 which identified that the scheme meets all the legal requirements and the majority of the expectations set out in the Code and associated Guides.		Governance

CONCLUSION: Taking account of all the factors considered, the Trustee believes that the scheme provides fair value for members and is expected to deliver good outcomes for members at retirement.

The Trustee is keen to hear members' view on the scheme and can be contacted via the Scheme Secretary at zpenteam@uk.zurich.com.

¹ Defined Contribution: A type of money purchase pension scheme where the amount of money going in is fixed according to a given formula (usually a percentage of salary) but the final benefit is not known and depends on how much is paid in and how well the investments have performed, e.g. ECashBuilder

Introduction

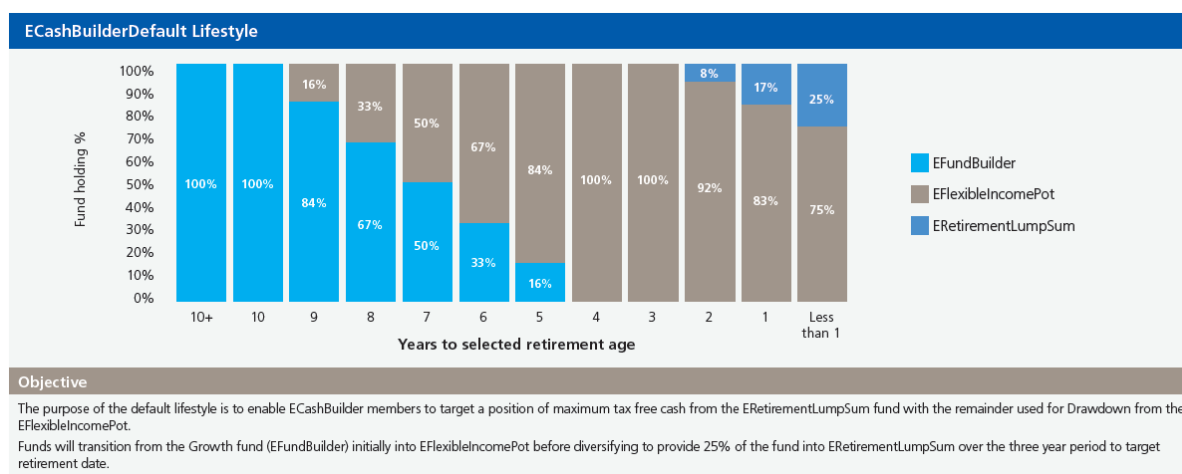
The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended) (“the Administration Regulations”) requires the Trustee to prepare an annual statement describing how it has met certain legislative governance standards. This statement has to be made publicly available on a website and included in the scheme’s annual report and financial statements. The Trustee has taken note of the statutory guidance when preparing this statement.

The scheme provides both DB² and DC benefits. The DC benefits are provided by the section called ECashBuilder.

1 Default arrangements

ECashBuilder was used by the employer as a qualifying scheme for auto-enrolment purposes up to 23 March 2018 when it was closed to new contributions. Prior to the closure of the scheme a lifestyle strategy was used as the default investment option. The objectives of this lifestyle strategy are to enable ECashBuilder members to:

- provide long term growth through dynamic exposure to a range of diversified assets. This is achieved using the EFundBuilder fund for the period more than 10 years from the target retirement date.
- reduce volatility in the final ten years to enable members approaching retirement to make financial plans for the period after retirement. This is achieved by switching into the EFlexibleIncomePot fund over a period of 5 years and retaining a significant proportion of assets in this fund until the target retirement date.
- target a position at retirement of maximum tax free cash (25%) using the ERetirementLumpSum fund with the remaining 75% targeting drawdown using the EFlexibleIncomePot.



The Trustee considers this approach to be in the best interests of relevant members and relevant beneficiaries.

The following funds are used within the default lifestyle:

Fund Name	Objective	Fund Linked to
EFundBuilder	To invest in higher risk/return funds to achieve investment growth.	Growth
EFlexibleIncomePot	To invest in lower risk/return funds from which drawdown payments can be taken as income.	Drawdown
ERetirementLumpSum	To invest in lower risk/return funds that will be taken as cash at retirement.	Cash

² Defined benefit: A pension scheme where you know what the final benefit is going to be according to a given formula, but the company doesn’t know how much it will cost to provide it, e.g., EPensionBuilder

Each of these funds have holdings in underlying pooled funds, which have many different managers. The Trustee cannot therefore directly influence the Responsible Investment practices of the companies in which the pooled funds invest although the Trustee sets out its ethical investment policy in its Statement of Investment Principles (SIP) which includes some indirect considerations.

Some of the underlying pooled funds are actively managed and some passively³. All these funds are measured against specific benchmarks which are built up from the underlying fund benchmarks. The details of these underlying funds and the benchmarks are set out in the SIP (attached).

The Trustee receives a quarterly report on the performance of each fund. Any repeated underperformance against benchmark is raised with the relevant fund manager and further action taken if required.

All funds have outperformed or matched the benchmark over the year.

The default arrangement was last reviewed by the Trustee in September 2015 and the changes identified at that review were implemented in January 2016. A full review of the ECashBuilder funds including the default strategy will be carried out in 2020.

2 Processing core financial transactions

The Trustee has a specific duty to ensure that the core financial transactions (including the transfer of member assets into and out of the scheme, transfers between different investments within the scheme and payments to and in respect of members) relating to ECashBuilder are processed promptly and accurately. These transactions are undertaken on the Trustee's behalf by the scheme's DC administrator, Scottish Widows, and investment manager. This was Zurich Assurance Limited until 30 June 2019 and Scottish Widows from 1 July 2019.

The Trustee has agreed service levels with the administrator which cover the accuracy and timeliness of all core financial transactions and are as follows:

SLA	Example process
Close of business the following day (assumes received by 9.30am)	Individual transfers in Investment redirections and switches received in writing
2 days	Selling units to meet claims (transfer, retirement, death and short service)
3 days	Payments (transfer, retirement, death and short service).
5 days	Member enquiries Fund values and illustrations received in writing Calculation of tax free cash
In accordance with legislative and regulatory requirements	Issue of retirement wake-up packs Complaints

The Trustee reviewed the processes and internal controls implemented by ZCS (now Scottish Widows) and does not believe there have been any changes to these since the change to Scottish Widows.

The Trustee monitors the processing of core financial transactions as follows:

- Specific service level agreements (SLAs) are in place with Scottish Widows relating to a number of processes, including the core financial transactions.
- The Trustee receives quarterly reports detailing performance against the agreed timescales. These reports are also reviewed by the scheme management team and any queries raised with Scottish Widows.
- During the year Scottish Widows processed 41 core financial transactions, all of which were completed within the agreed SLA.

³ Passive managers aim to track the returns of a particular market index e.g. FTSE All-Share. Active managers aim to outperform the benchmark by market timing and stock selection.

- No complaints were received from members in relation to the processing of core financial transactions during the year.

Based on the above the Trustee considers that core financial transactions have been processed promptly and accurately during the scheme year.

3 Value for Members (VfM)

Under the Administration Regulations the Trustee is required to make an assessment of charges and transaction costs borne by members with DC benefits (ECashBuilder) and the extent to which those charges and costs represent value for money for members.

The Trustee carried out a VfM assessment for the year ending 31 December 2019 using the methodology proposed in The Pensions Regulator's Guide to Value for Members which accompanies the DC Code of Practice. In order to assess whether ECashBuilder provides value for members, the Trustee took the following steps:

- Documented the scope of services provided by the scheme in the four core areas of scheme governance and management, investment, administration and communications
- Identified whether the cost of the service is met all or in part by the member
- Identified the charges and transaction costs associated with those services
- Assessed the costs for comparable services in the market
- Assessed whether the benefits provided by the scheme's services are suitable for, relevant to and valued by members
- Assessed whether the services to members performed effectively over the scheme year
- Assessed whether the scope and quality of the services provide good value for the relevant costs and charges incurred by members
- Benchmarked against similar schemes and other options available in the market
- Used judgment to determine the extent to which the scheme's members receive good value

ECashBuilder

When mentioning charges in this statement we refer to bps, or basis points, which is the measure used in the investment industry. One basis point is one hundredth of a percent or 0.01% of the fund value. This means that 50 bps = 0.5% and 100 bps = 1%.

At 31 December 2019 there were 1,371 members with benefits in ECashBuilder and the majority of these members were invested in the default arrangement.

The default arrangement attracts varying levels of management charge depending on how far the member is from their target retirement date and therefore which phase of the lifestyle strategy they are in.

- The maximum charge that will be levied on the members, if they are invested 100% in the default is a charge of 68bps. This applies to those invested wholly in the EFlexibleIncomePot and is comprised of 33 bps for services provided by Scottish Widows and 35 bps investment fund management charges.
- The age profile of ECashBuilder members means that the majority of funds are currently in the growth phase of the default arrangement, EFundBuilder, with a charge of 55.1bps.
- Transaction costs can increase the total charges paid by members but this has not exceeded the maximum allowed of 75 bps.

In addition to the default arrangements, members have the following choices:

- A lifestyle strategy targeting 100% cash at retirement. This has previously been the default arrangement for members who also had DB benefits within the scheme.
- 2 other lifestyles, targeting 100% drawdown or annuity purchase at retirement.
- A range of 12 self-select funds which may be chosen by members as an alternative to the default arrangement. In addition, members can invest in funds that make up the default arrangement

individually. These funds attract annual charges of between 0.408% and 1.42%, and the level of charges for each fund is set out on the ECashBuilder website. These funds allow members to take a more tailored approach to managing their own pension investments.

The annual charges, including transaction costs, are shown in the table below.

Funds	Fund based charge (bps)	Fund manager charge (bps)	Total member charges (bps)	Transaction cost (bps)
EFundBuilder*	26.0	29.1	55.1	7.8
EFlexibleIncomePot*	33.0	35.0	68.0	13.7
EPensionPurchasePot	33.0	9.1	42.1	-21.5
ERetirementLumpSum*	22.0	23.8	45.8	0.5
Aquila UK Equity Index	34.0	7.8	41.8	-6.7
Aquila World ex-UK Index	33.0	8.5	41.5	-2.1
LGIM Ethical Global Equity Index	36.0	25.0	61.0	0.8
Threadneedle Global Equity	41.0	38.0	79.0	28.9
Aquila Index-Linked Over 5 Year Gilt Index	34.0	7.9	41.9	1.8
Threadneedle UK Corporate Bond	29.0	33.5	62.5	7.8
Zurich Deposit and Treasury	22.0	18.8	40.8	0.5
Zurich Property	20.0	60.1	80.1	20.8
Zurich Managed Fund	11.0	41.6	52.6	20.2
Zurich Mixed Investments Fund	36.0	36.9	72.9	3.4
HSBC Islamic (Shariah)	33.0	35.0	68.0	4.7
JPM All-Emerging Markets Equity	52.0	90.0	142.0	21.0

*Funds used in the default lifestyle strategy

Funds in bold are used within the range of lifestyle strategies.

Projected charges over time (in today's money)⁴:

Charges can have a significant impact on the total fund value over time. The table below shows the development of the projected pot size over time, before and after charges, for a sample of ages, assuming the member is invested in the default lifestyle strategy.

The development of the projected pension pot depends on the member's current age as the funds change as the member approaches retirement.

In preparing this section of the Statement the Trustee has considered the DWP guidance from September 2018 titled 'Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes'.

⁴ In today's money means the projected figures have been adjusted for future inflation to give an idea of the purchasing power of the money at a date in the future.

Notes (applicable to both tables)

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Retirement is assumed to be at age 65.
3. The starting pot size is assumed to be £9,000.
4. Inflation is assumed to be 2.5% each year.
5. It is assumed that no further contributions are made.
6. Values shown are estimates and are not guaranteed.
7. The charges assumed for each fund are the current charges as shown in the Chair's Statement.

For the default lifestyle strategy the projected growth rate varies over time as the funds invested in change.

Years to Retirement	Projected Growth Rate (Average)	
1	0.30%	Below inflation
3	0.10%	Below inflation
5	0.00%	Above Inflation
10	0.30%	Above Inflation
15	0.50%	Above Inflation
20	0.60%	Above Inflation
25	0.70%	Above Inflation
30	0.80%	Above Inflation
35	0.80%	Above Inflation
40	0.80%	Above Inflation

This table shows the average projected growth rates for the lifestyle strategy for a sample of terms to retirement. Lifestyle approaches aim to provide a balance of growth opportunities in the early years and a degree of de-risking as you approach retirement. The actual return will depend on the funds chosen for each stage and the actual timing of any changes. When comparing possible returns from different funds, it is noted that higher risk funds will provide higher illustrative returns.

Yrs	Age Now 60		Age Now 55		Age Now 45		Age Now 35		Age Now 20	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	9,010	8,940	9,080	9,020	9,090	9,030	9,090	9,030	9,090	9,030
3	9,030	8,820	9,220	9,030	9,280	9,100	9,280	9,100	9,280	9,100
5	9,010	8,660	9,300	8,970	9,480	9,170	9,480	9,170	9,480	9,170
10			9,310	8,630	9,990	9,350	9,990	9,350	9,990	9,350
15					10,300	9,320	10,500	9,530	10,500	9,530
20					10,300	8,970	11,000	9,720	11,000	9,720
25							11,400	9,690	11,600	9,910
30							11,400	9,320	12,300	10,100
35									12,900	10,300

Illustration of the impact of charges for a sample of self-select funds:

The table below shows the development of the projected pension pot over time before and after charges for members of any age assuming the pension pot is invested fully in the fund shown. The illustrations are for a representative selection of the funds members may invest in, which were selected to reflect the range of projected returns and charges.

The projected growth rates for each fund are:

- SW Aquila World ex-UK Equity Index CS1: 1.9% above inflation
- SW Threadneedle Global Equity CSW: 2.2% above inflation
- SW Aquila IL Over 5 Year Gilt Index CS1: 2.0% below inflation
- SW JPM All-Emerging Markets Equity CS1: 2.1% above inflation

Years	SW Aquila World ex UK Equity Index CS1		SW Threadneedle Global Equity CSW		SW Aquila IL Over 5 Year Gilt Index CS1		SW JPM All-Emerging Markets Equity CS1	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	9,170	9,130	9,200	9,100	8,820	8,780	9,190	9,040
3	9,530	9,410	9,610	9,310	8,480	8,370	9,590	9,130
5	9,910	9,700	10,000	9,520	8,160	7,980	10,000	9,220
10	10,900	10,400	11,200	10,000	7,400	7,080	11,100	9,460
15	12,000	11,300	12,500	10,600	6,710	6,290	12,300	9,700
20	13,200	12,100	14,000	11,300	6,090	5,580	13,700	9,950
25	14,500	13,100	15,600	11,900	5,520	4,950	15,300	10,200
30	16,000	14,100	17,400	12,600	5,010	4,390	17,000	10,400
35	17,700	15,300	19,500	13,400	4,540	3,900	18,900	10,700

Conclusion:

Following the Trustee's assessment of the services provided to ECashBuilder members against member need and performance for the year to 31 December 2019, and taking into account information from Barnett Waddingham on comparable services in the market, ECashBuilder was assessed as providing fair value for members, and the following areas were noted:

- The review has highlighted investment fund charges as a particular area of focus and a full DC fund review is planned for 2020.
- ECashBuilder members benefit from good governance with a strong Trustee board and the support of a dedicated in-house pensions team with a specialist DC manager. There is a comprehensive risk management framework in place and effective monitoring of the administration service and investment performance.
- The default investment strategy takes into consideration the membership profile and the propensity to accept investment risk. The wider fund range is in line with the market, both in terms of the number of funds and asset classes covered. However, the fund charges have previously been assessed by Barnett Waddingham as being higher than in some other arrangements.
- There is close performance monitoring and all the funds have either outperformed or matched the benchmark over the period.
- Members benefit from an effective administration service and there have been no complaints. Performance against service levels for time critical processes was good with 100% completed within the SLA.
- Member communication channels are considered effective and the pension freedoms offering is comparable to that offered by other schemes in the market. There is a good website with modeling tools and substantial information. Value is added through the provision of newsletters and newflashes, although more segmented and targeted communication is desirable.

4 Trustee knowledge and understanding (TKU)

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for Trustee directors to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of scheme assets and other matters to enable them to exercise their functions as Trustee directors properly. This requirement is underpinned by guidance in the Pensions Regulator's Code of Practice 7. The comments in this section relate to the Trustee's management of the whole scheme and are not restricted to the ECashBuilder section.

The Trustee directors understand the importance of keeping their own knowledge and understanding up to date to ensure they are able to properly exercise their function as Trustee directors. This applies to each Trustee director as an individual and to the Trustee body as a whole and the following steps are taken to achieve this:

As the only new Trustee director during the scheme year to 31 December 2019, Gil Okai fulfilled the Trustee's policy on knowledge and understanding by

- Attending an internal induction course run by a senior member of the scheme management team which included scheme specific training.
- Attending an external course run by the PLSA on Trusteeship.
- Working towards completing The Pension Regulator's Trustee Toolkit.

All of the Trustee directors have put in place arrangements for ensuring they take personal responsibility for keeping themselves up to date with relevant developments:

- All aim to complete a minimum of 15 hours of CPD annually.
- All carry out a self-assessment of training needs, usually annually, following which individual discussions with the Chair and the Head of UK Pensions take place to identify any additional training needs.
- Knowledge gaps identified as a result of the self-assessment were addressed during the course of the year; this included a DC specific meeting held in November 2019 to focus on DC governance.
- Professional Trustee directors are subject to additional regulatory requirements to ensure continually high standards are attained, this includes a minimum of 25 hours relevant learning and development. The standards were developed by The Professional Trustee Standards Working Group, the latest standards were published on 26 February 2019.
- All the Trustee directors have successfully completed, or are working towards completing the Pension Regulator's Trustee Toolkit which they are required to do within six months of their appointment.
- Individual training is arranged as appropriate, either internally or using an external provider.
- As part of undertaking regular Trustee business, the Trustee directors have a working knowledge of the Trust Deed and Rules, the Statement of Investment Principles, the Trustee's policies, the law relating to pensions and trusts and the relevant principles relating to funding and investment. Examples include reviewing the Statement of Investment Principles and updating the MND policy.
- The Trustee board includes a professional trustee firm that has supported the scheme for some time and is conversant with the scheme specifics and documentation, as well as bringing general pension knowledge and experience.
- The annual Trustee training day was held in May 2019 and this year featured sessions on Diversity and DC considerations, both of which had previously been identified as training needs. In addition, specific training is carried out in advance of any specific projects or new work-streams, for example a session was delivered on DC Governance in advance of the annual Code of Practice 13 and Value for Members assessments.
- The Trustee is supported by the scheme management team providing technical and governance support and scheme secretarial services.

Where required the Trustee uses advisers and the specialist knowledge available within the employer and believes that this, combined with the scheme management team and their own knowledge and understanding enables them to properly exercise their duties as Trustee directors.

5 Governance

Every three years the Trustee undertakes a Board Effectiveness Review (BER) to identify areas where the board as a whole requires improvement. Trustee directors, senior members of the ZPen team and external advisers take part in the BER to provide feedback and opinions. The last BER was conducted in 2019.

In addition, the Trustee has access to a secure website where scheme documents, Trustee documented procedures and other useful information, including contact information, meeting agendas and minutes are stored. This enables the Trustee to have quick access to the most up to date information relating to the scheme.

In December 2019 the Trustee completed the annual assessment of the scheme's processes and practices against Code of Practice 13: Governance and administration of occupational trust-based schemes providing money purchase benefits, and the accompanying guidance notes. This identified that the scheme meets the legal requirements and the majority of the expectations set out in the Code and associated Guides.

6 Conclusion

Taking account of all of the above, the Trustee believes that the scheme provides fair value for members and is expected to deliver good outcomes for members at retirement.

This statement was approved by the Trustee on 9 June 2020 and signed on their behalf by:



Clive Gilchrist

Representing BESTrustees as Chair of Endsleigh Pension Trustee Limited, as Trustee of the Endsleigh Insurance Services Limited Pension and Assurance Scheme.

ENDSLEIGH INSURANCE SERVICES LTD PENSION & ASSURANCE SCHEME

STATEMENT OF INVESTMENT PRINCIPLES MADE AS AT 10 SEPTEMBER 2019

1. Introduction

- 1.1. This statement is made by Endsleigh Pension Trustee Limited ("the Trustee") the sole trustee of the Endsleigh Insurance Services Ltd Pension & Assurance Scheme ("the Scheme") for the purposes of and in accordance with section 35 of the Pensions Act 1995 as amended by Section 244 of the Pensions Act 2004 and the Occupational Pension Plans (Investment) Regulations 2005 (S.I. 2005/3378) ("the Investment Regulations"). The statement is intended to describe the general approach of the Trustee to investment matters as they impact on the Scheme. As such, the statement might require amendment as general investment conditions alter and as the liabilities of the Scheme change over time.
- 1.2. The Scheme's assets are held in trust by the Trustee, whose investment powers are set out in the Scheme's governing Trust Deed. The content of this statement does not conflict with those powers.
- 1.3. The scheme has two sections, a Defined Benefit Section (EPensionBuilder) and a Defined Contribution Section (ECashBuilder)
- 1.4. It is the Trustee's intention to review these principles at least every three years or more frequently if there is a significant change in the Scheme's circumstances. Changes should only be made after due and proper consideration of the circumstances.
- 1.5. Before making or revising this statement the Trustee has obtained and considered written advice to ensure that its contents are appropriate to the circumstances of the Scheme. The Trustee has also consulted EFS Financial Services Limited ("the Employer") as to the contents of this statement.

2. EPensionBuilder

2.1. Investment Objectives

- 2.1.1. The Trustee considers the following to constitute its overall objectives of EPensionBuilder:
 - a) to invest in assets of appropriate quality and liquidity which will generate income and capital growth to meet, together with new contributions from the employers, the cost of current and future benefits which the Scheme provides, as set out in the Trust Deed and Rules and
 - b) over the long term to equal or exceed the real, i.e. after adjusting for the effects of inflation, investment return assumed in the actuarial valuation of the liabilities of the Scheme from time to time and
 - c) any other objective that the Trustee may, from time to time, consider appropriate.

2.2. Choosing investments

- 2.2.1. The Trustee appoints a Fund Manager (or more than one) to carry out all the day-to-day functions relating to the management of the fund and its administration.

- 2.2.2. The Trustee is closely involved in the wider issues relating to overall investment strategy, but is not involved in day to day decisions. In light of the size of the Scheme and the number of Trustee directors, it is not considered appropriate to set up an investment sub-committee.
- 2.2.3. In particular, the selection of particular investments is left to the Fund Managers.
- 2.2.4. The selection of investments also reflects the Trustee's view, having consulted the Adviser and the Scheme Actuary, as to the suitability of a particular kind of investment in any given category to the nature of the Scheme's liabilities.
- 2.2.5. The Trustee reviews their investment strategy on a triennial basis (or more frequently if significant events take place). When doing so, the Trustee seeks and considers advice of the nature described above.
- 2.2.6. The Fund Managers appointed by the Trustee are given a copy of this statement and informed that the Trustee expects the principles contained in this document to be reflected in the Manager(s)'s actions, in so far as reasonably practicable.
- 2.2.7. The Trustee has appointed Legal & General Assurance (Pensions Management) Limited (the "Manager") to administer on their behalf the non-LDI assets of the Scheme. The investment comprises units in pooled managed funds and the Trustee's contract with the Manager is evidenced by a policy of assurance. The Manager has delegated all duties relating to the day-to-day investment management of the portfolio of securities and cash underlying these units to Legal & General Investment Management Limited ("LGIM").
- 2.2.8. Both these companies are wholly-owned subsidiaries of Legal & General Group PLC. The Manager is monitored by the Insurance Division of the Treasury. LGIM is regulated by the Financial Conduct Authority.
- 2.2.9. The Trustee has appointed Insight Investment Management (Global) Limited (the "LDI Manager") to manage the liability driven investment (LDI) strategy of the Scheme. The investment comprises units in a pooled fund.
- 2.2.10. Collectively, and for the purposes of this document, the Manager and LDI Manager are referred to as "Fund Managers".
- 2.2.11. The Trustee has appointed an authorised investment adviser, Barnett Waddingham LLP (the "Adviser"), who advises on the suitability of certain investments having regard to the nature of the Scheme's liabilities. The Trustee from time-to-time also receives advice from other appropriately qualified experts as to the suitability of investments. The Trustee is advised by the Adviser that such advice is not necessary when straightforward, day to day decisions on particular investments of a kind and amount already agreed as being within certain fixed parameters (for example, selling one share and buying another) are made by the Fund Managers. However, where issues of a more substantial nature arise (for example, the proportion of the fund to be held in a currency other than sterling) then such advice is sought and confirmed in writing. The Trustee considers such advice before making their decisions.
- 2.2.12. The remuneration of the Fund Managers is calculated as a percentage of the fund value unless agreed to the contrary, the Adviser is remunerated based on the value of time actually spent on investment-related work.

2.3. The kinds of investment to be held

- 2.3.1. Subject to the requirements of the Scheme's documentation and legislation generally, the Trustee is not restricted in the kind of investment it can make. This freedom extends, in particular (but not exclusively) to investments of the following kinds:-
 - (a) an annuity contract or assurance policy (whether with profits or not) issued by a United Kingdom office or branch of an Insurance Company;
 - (b) a scheme of deposit administration;
 - (c) a unit trust, managed fund or mutual fund;
 - (d) a deposit with a local authority, bank, building society, finance company or other financial institution.
 - (e) an LDI Fund (which includes swaps, gilt repurchase arrangements and other derivative contracts)
- 2.3.2. This list (which is not intended to be exhaustive) includes investments in currencies other than sterling.
- 2.3.3. Although the Trustee has complete freedom to invest within the terms of the Trust Deed there are some kinds of investment that it will choose from time to time not to make. It will also impose restrictions on the proportions held in various kinds of investments.
- 2.3.4. Details of any such restrictions are made known in writing to the Fund Managers.

2.4. The balance between different kinds of investment

- 2.4.1. Having taken advice from the Adviser, the Trustee recognises that the return received from different kinds of investment is achieved in different ways (for example, a high income but little opportunity for capital growth as opposed to a low income but substantial opportunity for capital growth).
- 2.4.2. Having taken advice from the Adviser, the Trustee also recognises that the liabilities of the Scheme are of different kinds (for example, current pensioners require an immediate income whereas current employees require no immediate pension income but will do so in future).
- 2.4.3. The Trustee seeks to balance the investments held against the current and future needs of the Scheme.
- 2.4.4. The Trustee and the Fund Managers agree from time to time an allocation of the fund having regard to the need to diversify investments across different categories of investment and between investments in a particular category. Such allocations are decided also against the background of the Scheme's liabilities and the Trustee is advised by the Adviser in this regard.

2.5. Risk

- 2.5.1. The Trustee's attitude to risk reflects the long term nature of the Scheme's liabilities.
- 2.5.2. In terms of the investment strategy the Trustee views risk as the probability that its chosen strategy would result in the objectives not being met i.e. that insufficient funds would be available to meet the liabilities as they fall due. The strategy is designed to maximise the probability of meeting the objectives whilst controlling those factors which may result in the objective not being met.

In arriving at the investment strategy, the Trustee has considered the following risks:

- Actions by the Fund Managers, including underperformance and compliance with regulatory requirements (Fund Manager risk)
- The need to pay benefits in the short-term (cash flow risk)
- The failure of some of the investments that constitute a significant proportion of the assets (concentration risk)
- Actions by or insolvency of the custodian (custody risk)
- That one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation (credit risk)
- The need to consider environmental, social and governance (ESG) factors that may have a material effect on the long term returns delivered to beneficiaries (ESG risk)
- The need to have sufficient liquidity to cover collateral calls relating to the liability driven investments and currency derivatives (liquidity risk)
- The currency of the Scheme's assets underperforms relative to Sterling (currency risk)
- Any other risk as the Trustee deems appropriate

2.5.3. Fund Manager risk

The performance of the Fund Managers is monitored on a regular basis. The risks inherent in the Fund Manager's philosophy requires an analysis of the effect of any changes which affect the Scheme's liability profile or funding position. All Fund Managers are monitored for compliance with regulatory requirements by receiving reports from the Fund Manager confirming that it has not been subject to significant criticism or censure by its regulators.

The Trustee has adopted a passive investment style for the majority of the Scheme's assets that minimises the risk from underperformance by the Fund Managers. This approach also significantly reduces the costs of investment management.

2.5.4. Cash flow risk

The Trustee and its advisers manage the Scheme's cash flow requirements over the short-term, this is implemented through a combination of inflows and rebalancing activities.

2.5.5. Concentration risk

In order to reduce this risk the appointed manager invests, on the Trustee's behalf, in a range of different asset classes and in different securities in each class.

The Trustee and its advisers monitor the Fund Manager's activity to ensure that it remains appropriate.

2.5.6. Custody risk

The Trustee has delegated all duties relating to the day to day investment management of the portfolio including oversight of custody to Legal & General Investment Management Limited. The Trustee recognises that failure by a custodian could prejudice the ability of the Scheme to meet its liabilities. The Trustee's auditors produce an annual statement detailing any issues requiring further consideration.

2.5.7. Liquidity risk

The Trustee carefully plans and manages its liquidity risk. The Trustee has implemented an LDI strategy to manage the interest rate and inflation risks to which the scheme is exposed. In particular, the Trustee reviews the liquidity management

framework on an on-going basis in collaboration with the LDI Manager to mitigate the risk of the manager having to de-leverage the LDI fund.

2.5.8. ESG risk

The Trustee recognises there is a possibility that ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations over the long term.

Due to the passive nature of the investments in pooled funds the trustees are not able to influence the ESG considerations taken at fund level.

ESG factors are a very limited consideration within the LDI fund due to the type of assets held.

2.5.9. Currency risk

The Trustee and its advisers monitor currency risk on a regular basis. If there is ever a requirement to mitigate currency risk, the Scheme would collaborate with the Fund Managers.

2.6. The expected return from investments

- 2.6.1. When selecting investments of different kinds the Trustee will have regard to the relative investment return that each category is expected to produce. In this context, the Trustee receives information from both the Adviser, and the Fund Managers and, from time to time, other appropriately qualified experts.
- 2.6.2. The Trustee recognises the need when making these comparisons to distinguish between nominal and real returns and to make appropriate allowance for inflation.
- 2.6.3. Having established the investment policy that the Fund Managers are expected to follow, the Trustee monitors the performance of both. A consistent failure to achieve adequate performance could result in the Manager or LDI Manager being replaced.

2.7. The realisation of investments

- 2.7.1. The Trustee will have regard to the liquidity of a kind of investment before deciding to make an investment of that kind. In particular, they will consider liquidity in the context of the Scheme's likely need for cash in the short and longer term, the income generated from an investment of that kind and the prospects for liquidity at a future date.
- 2.7.2. In the normal course of events the Fund Managers will sell investments from time to time to be replaced by others. The Trustee is concerned that the volume of such turnover is not excessive and the Fund Managers are aware that the expenses involved in turnover can affect performance and that excessive turnover might give rise to an income tax liability if it were to be regarded as trading by HM Revenue & Customs.
- 2.7.3. Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. The Trustee is advised by the Scheme Actuary as to the solvency of the Scheme should this happen sooner rather than later. In this situation, the Trustee is aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value as shown in the accounts.

2.8. Responsible investments

- 2.8.1. The Trustee accepts its fiduciary duties as a long term investor and believes that incorporating ESG factors into investment decisions improves long term risk adjusted returns.
- 2.8.2. The Trustee considers ESG factors at various steps in its investment process. The Trustee recognises that the choice of benchmark dictates the assets held by the Fund Managers and that the Fund Managers have minimal freedom to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive manager is to deliver returns in line with the benchmark and believe the choice of benchmarks will deliver appropriate risk adjusted returns. The Trustee will review the index benchmarks employed for the Scheme on a periodic basis.
- 2.8.3. The Trustee always aims to appoint the most suitable manager for each investment mandate. A stringent, fact-based manager evaluation process is applied. Selection criteria includes the Managers' responsible investment practices however, an investment manager's excellence in this area will only be considered in combination with other factors, including (but not limited to) historical performance and the level of fees.
- 2.8.4. The Trustee has not imposed any restrictions or exclusions to the investment arrangements based on factors they believe not to be financially material. The Trustee therefore expects that the Fund Managers will ultimately act in the best interests of the Scheme's assets to maximise returns for a given level of risk
- 2.8.5. Fund Managers report on voting activity to the Trustee on at least an annual basis. The Trustee will monitor Fund Managers' voting activity and may periodically review Fund Managers' voting patterns. The Trustee will be reliant on the information presented by the Fund Managers regarding votes cast and identification of voting patterns.
- 2.8.6. The Trustee aims to engage with all their Fund Managers on a periodic basis. Fund Managers may be challenged on the impact of any significant issues including, where appropriate, ESG issues.
- 2.8.7. Given the inherent uncertainty, the Trustee has not made explicit allowance for the risks of climate change in setting their strategic benchmark.
- 2.8.8. The Trustee does not take account of non-financial matters (such as member ethical views) within the investment strategy.

2.9. Asset allocation and investment strategy

- 2.9.1. Recognising the constraints detailed in the sections above and having taken advice from the Adviser, the Trustee has adopted the following asset allocation strategy for the assets (within tolerance limits of +/- 5%), excluding the purchased annuity policies.
 - 32% of the assets are to be invested in equities and the remaining 68% of the assets are to be invested in bonds.
 - The equity part of the portfolio will be invested 50% in UK equities and 50% in overseas equities.
 - The bond part of the portfolio will be invested in a mixture of UK government fixed interest gilts, UK corporate bonds and the LDI Fund.

2.9.2. The asset allocation strategy has been decided on in conjunction with the Adviser, and will be reviewed from time to time as circumstances change, by considering the level of investment risk to which the Trustee is prepared to expose the Scheme. This in turn will depend upon a number of factors including:

- a) the schemes liability profile,
- b) the funding plan in place
- c) the sponsor covenant and

with reference to the relative returns available on equities, gilts and corporate bonds and the likely volatility of those returns. The asset allocation strategy will be reviewed from time to time, in view of changes to market conditions and the Scheme's liability profile.

2.10. Performance Measurement

2.10.1. The Manager's pooled managed funds utilised and the benchmarks of the funds are as follows: The Trustee has agreed, based on advice from the Adviser and the other appropriately qualified experts, the benchmark against which the performance of the Manager is measured.

Global Equity Fixed Weights (50:50) Index Fund	50% FTSE All-Share Index, 17.5% FTSE World Europe (ex UK) Index 17.5% FTSE North America Index 8.75% FTSE World Japan Index 6.25% FTSE World Asia Pacific (ex Japan) Index
Over 15 Year Gilt Index Fund	FTSE A Government (Over 15 Year) Index
AAA-AA-A Corporate Bond – All Stocks – Index Fund	iBoxx £ Non-Gilts (ex-BBB) Index
Over 15 Year AAA-AA-A Corporate Bond Index Fund	iBoxx £ Non-Gilts (ex-BBB) Over 15 Year Index

2.10.2. The LDI Manager's performance is assessed relative to the performance of both a gilt and a swap benchmark of equivalent duration to the notional liability profile of the fund.

2.10.3. The objective for each of the funds is to achieve a total return that is close to the benchmark over the longer term.

2.10.4. The Trustee regularly monitors actual performance against the benchmarks set.

2.11. Corporate governance

2.11.1. Whenever appropriate the Trustee will seek to exercise their voting rights in the best long-term interests of Scheme members. However, as the Scheme invests in pooled funds, the day-to-day decisions regarding corporate governance, including the exercising of voting rights, are delegated to the Fund Managers who are signatories to the UK Stewardship Code or equivalent (where applicable).

2.11.2. The Trustee believes it is appropriate for its Fund Managers to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments for the Scheme in order to improve corporate behaviours, improve performance and mitigate financial risks. The Trustee will review engagement activity undertaken by their Fund Managers as part of its broader monitoring activity.

3. ECashBuilder

3.1. Investment Objectives

- 3.1.1. The Trustee considers the following to constitute its overall objectives of ECashBuilder:
- a) to provide a default investment strategy that is likely to be appropriate for a typical member
 - b) to provide a range of alternative strategies appropriate for members' attitude to risk and proximity to retirement as members' investment needs and risk appetite change approaching retirement
 - c) to provide an appropriate range of investment choices so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different needs and objectives

3.2. Choosing investments

- 3.2.1. The Trustee appoints a fund administrator to carry out all the day-to-day functions relating to the management of ECashBuilder fund and its administration.
- 3.2.2. The Trustee is closely involved in the wider issues relating to overall investment fund selection, but is not involved in day to day management of the funds.
- 3.2.3. The Trustee has appointed an investment platform provider to administer ECashBuilder on their behalf.

3.3. The kinds of investment to be held

- 3.3.1. Having taken advice from the Adviser, the Trustees have made available a range of funds through the investment platform provider in which members can invest. From time to time funds may be added, removed or amended as considered necessary by the Trustee.
- 3.3.2. In addition to these funds the Trustee provides a Lifestyle option which is the default investment option for this section of the Scheme.
- 3.3.3. The Lifestyle option has been white labelled so that the Trustee can accommodate changes in the underlying funds without undue disruption.

3.4. The balance between different kinds of investment

- 3.4.1. Having taken advice from the Adviser, the Trustee recognises that the return received from different kinds of investment is achieved in different ways and at different rates (for example, low risk but little opportunity for capital growth as opposed to a high risk but substantial opportunity for capital growth).
- 3.4.2. Having taken advice from the Adviser, the Trustee also recognises that individuals will have differing personal investment requirements and preferences. The Trustee seeks to offer members a diversified range of investment options to meet these requirements. This includes a number of lifestyle strategies which take into account that members close to retirement require more capital protection and assets best matched to their retirement outcome, whereas members a long way from retirement need sufficient exposure to risks to generate investment returns.

3.5. Risk

3.5.1. In terms of the ECashBuilder investment choices the Trustee views one of the key risks as the probability that its chosen funds would result in the objectives not being met i.e. that insufficient funds would be available to provide the expected income at retirement. The fund choices and Lifestyle option are designed to maximise the probability of meeting the objectives whilst controlling those factors which may result in the objective not being met.

In arriving at the investment fund choices and designing the lifestyle option, the Trustee has considered a number of other risks including the following:

- Actions by the underlying investment managers (manager risk)
- The risk that investment returns over members' working lives is not in line with inflation (inflation risk)
- The risk that market movements just prior to a members' retirement substantially reduce their fund available to buy an annuity / retirement lump sum (investment risk).
- [The risk that members' portfolios are overly concentrated on one particular market segment (concentration risk)]
- [Risks from exposure to movements in currency prices (currency risk)]

3.5.2. The Trustee also considers credit risk in relation to its investment platform provider through its holdings in the Scheme's funds. The Trustee ensures that any selected platform provider is regulated by the Financial Conduct Authority and is required, where appropriate, by the Prudential Regulation Authority to maintain adequate financial resources to ensure that it can meet its liabilities as they fall due.

3.6. The expected return from investments

3.6.1. When considering the range of investment options made available to members, the Trustee will have regard to the relative investment return that each asset class and fund is expected to produce. In particular, when selecting investments for EFundBuilder, the Trustees will have regard to the relative investment return of each category and structure the fund such that it is expected to deliver a return consistent with the fund's investment objective.

3.6.2. The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation.

3.6.3. Having established the investment options available to members, the Trustee monitors the performance of the funds within these options. A consistent failure to achieve adequate performance could result in a fund being replaced.

3.7. The realisation of investments

3.7.1. In relation to the liquidity of investments, the Trustee's policy is to invest in funds that offer daily dealing as far as possible to enable members to readily realise and change their investments.

3.8. Responsible Investment

3.8.1. The Trustee recognises that the consideration of financially material factors, including ESG factors, is relevant for the long term investment held by the Scheme's members.

- 3.8.2. As part of the periodic DC fund review, the Trustee will include ESG considerations when assessing the default fund and self-select fund choices available to members.
- 3.8.3. The Trustee recognises that for the passive fund range the choice of benchmark dictates the assets held by the investment manager and that the manager has limited freedom to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive manager is to deliver returns in line with the benchmark and believe the choice of benchmarks will deliver appropriate risk adjusted returns. The Trustee will review the index benchmarks employed for the Scheme on a periodic basis.
- 3.8.4. In selecting any new funds for the Scheme, where relevant to the fund objectives, the Trustee explicitly considers potential managers' approach to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision making.
- 3.8.5. The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies. The investment managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.
- 3.8.6. The Trustee will monitor investment managers' voting activity periodically through the investment platform provider and may review investment managers' voting patterns. The Trustee may also monitor voting on particular companies or issues affecting more than one company.
- 3.8.7. The Trustee engages with their investment managers periodically, through the investment platform provider. Investment managers may be challenged on the impact of any significant issues including, where appropriate, ESG issues.
- 3.8.8. At this time, the Trustee has not made an explicit allowance for climate change within the development or implementation of its investment strategy. The Trustee may discuss the potential impact of climate risks with its Adviser and the investment platform provider on a periodic basis and will monitor developments in this area.
- 3.8.9. The Trustee does not take account of non-financial matters (such as member ethical views) within the default investment strategy.

3.9. Investment options

- 3.9.1. Recognising the constraints detailed in the sections above and having taken advice from the Adviser, the Trustee has chosen to provide the following asset classes as self select funds for members of the Defined Contribution Section.

Core range

- UK Equity
- World ex-UK Equity
- UK Gilts (Over 5 year)
- Deposit

Wider range

- Managed
- Global Equity
- Property
- UK Corporate bonds
- Emerging markets equity
- Index linked (over 5 years)
- Corporate bonds

- 3.9.2. The lifestyle option has been designed to invest in higher risk/return funds when members are further away from retirement and gradually move their investments to lower risk/return funds as they approach retirement.

There are three component funds in the lifestyle option, each designed to achieve a different objective. The trustees will review the underlying investments in each of the component funds and may change them from time to time.

Component Fund	Objective
EFundBuilder	To invest in higher risk/return funds to achieve investment growth
EPensionPurchasePot	To invest in lower risk/return funds that will be used to buy a pension at retirement
ERetirementLumpSum	To invest in lower risk/return funds that will be used to fund the retirement lump sum

Self-select funds

EFundBuilder
 EFlexibleIncomePot
 EPensionPurchasePot
 ERetirementLumpSum
 Aquila UK Equity Index
 Aquila World ex-UK Equity Index
 LGIM Ethical Global Equity Index
 Threadneedle Global Equity
 Aquila Index-Linked Over 5 Year Gilt Index
 Threadneedle UK Corporate Bond
 Zurich Deposit & Treasury
 Zurich Property
 Zurich Managed Fund
 Zurich Mixed Investments Fund
 HSBC Islamic (Sharia)
 JPM All-Emerging Markets Equity

The switching will take place automatically in regular intervals over a period of 10 years leading up to the members chosen retirement age.

- 3.9.3. These asset classes have been decided upon in conjunction with the Adviser, by considering the level of investment risk to which members may be prepared to take and with reference to the relative returns available on equities, gilts and corporate bonds and the likely volatility of those returns. The asset classes available to members will be reviewed from time to time, in view of changes to market conditions and the Scheme's membership profile.
- 3.9.4. To achieve these objectives, the Trustee has instructed the investment platform provider to administer the Defined Contribution Section using the funds referred to in 3.9.2.

4. Compliance with this Statement

- 4.1. The manager(s) for both EPensionBuilder and ECashBuilder will provide the Trustee from time to time with a trading statement showing the investment or disinvestment of all monies and, not less than quarterly, a valuation statement showing the number and type of units credited to the Scheme and their current value.
- 4.2. The manager(s) will provide the Trustee with regular reports giving a summary of investment activity since the last report and a review of the performance of the Scheme's assets.
- 4.3. A representative of the manager(s) will be available to report in person to the Trustee at reasonable intervals.
- 4.4. It is the Trustee's intention to review this Statement of Investment Principles from time to time and when they deem it necessary, to revise accordingly, taking particular note of any significant changes in the Scheme's liabilities.
- 4.5. The Trustee will review on a regular basis the investment performance of the Scheme's assets together with the continuing suitability of the managers.

5. Availability

- 5.1. A copy of this statement will be made available to the Employer, the manager(s), the Scheme Actuary and the Scheme Auditor. A copy will be provided to Scheme members upon request.

Clive Gilchrist

.....
Signed on behalf of Endsleigh Pension Trustee Limited
10 September 2019