Kwik-Fit Group Pension and Life Assurance Scheme (the Scheme) Money Purchase Section

Chair's Statement for the Year Ending 30 June 2024

Introduction

This Statement has been prepared by the Trustees of the Kwik-Fit Group Pension and Life Assurance Scheme ("the Scheme") in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations ("the Regulations") 1996. It explains how the Trustees have met their obligations in relation to the management of the Scheme over the period 1 July 2023 to 30 June 2024 ("the Scheme Year").

In line with the Occupational Pension Schemes (Administration, Investment, Charges and Governance Amendment) Regulations 2021 ("the 2021 Regulations"), the Trustees have assessed the extent to which they believe the Scheme provides Value for Members.

It should be noted that up until 30 June 2006 all contributions were invested with Phoenix Life in a with-profits deferred annuity contract. Contributions at this point were frozen and any incremental premiums resulting from increases in Pensionable Salary have been invested with Aviva.

The charges applied by Phoenix Life and Aviva cover both the administration and investment services provided to members.

A copy of the Scheme's latest Statement of Investment Principles (dated September 2024) is attached at the end of this statement.

DC Review

During the 2023/24 Scheme year, the Trustees considered the future of the Money Purchase Section and the options available including the possibility of securing relevant DC benefits outside of the Scheme in an alternative arrangement (the DC Review). The Trustees were aware that other arrangements in the wider DC market might offer members better value than could be provided under the Scheme.

The DC Review has continued into the 2024/25 Scheme year and the Trustees are currently exploring the option of an alternative DC delivery vehicle as well as alternative governance models. It is anticipated that the DC Review will be concluded during the 2024/25 Scheme year.

Default Arrangement

There is only one investment choice with Phoenix Life, namely the with-profits deferred annuity contract.

The default investment with Aviva is a "lifestyle" arrangement. The default arrangement invests in Aviva's My Future investment programme. This initially invests in the Aviva My Future Growth Fund. In the 15-year period leading up to a member's selected retirement age, the lifestyle strategy switches investments on a monthly basis into lower risk investments held in the Aviva My Future Consolidation Fund. This fund aims to provide a broad 'base' for members to reflect the pension freedoms.

The Aviva default strategy was last reviewed in 2024 at a Trustee meeting on 29 January. Whilst the Trustees were comfortable with the existing default strategy, the review highlighted that the Trustees may wish to consider the My Future Focus strategy. However, due to the ongoing DC Review, the Trustees have decided to defer any changes to the default investment strategy until the DC Review has been concluded.

During the Scheme year there were no changes to the default investment strategy. The abrdn Global Absolute Return Strategies and M&G Feeder of Property, which were both available as self-select funds, were closed during the Scheme year. The abrdn Global Absolute Return Strategies fund was replaced with the BNY Mellon Real Return Fund. Two funds, abrdn Diversified Growth and Income and Legal & General (PMC) FTSE4Good UK Equity Index were introduced to the range of self-select funds available to members.

Net Investment Returns

The Occupational Pension Schemes (Administration, Investment, Charges and Governance Amendment) Regulations 2021 introduces new disclosure requirements for Trustees of DC pension schemes. From 1 October 2021, the Trustees are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges. The Trustees calculated the return on investments, as far as they were able to do so.

Below are the annualised net investment returns to 30 June 2024 for all arrangements where lifestyling takes place:

Kwik-Fit ("the Scheme")	**Annualised returns**	
Age of member at start of reporting period	**1 Year (%)**	**5 Years (% p.a.)**
Default Lifestyle – age 25	17.3	8.8
Default Lifestyle – age 45	17.3	8.8
Default Lifestyle – age 55	14.5	6.6
Alternative Lifestyle (Annuity) - age 25	17.3	8.8
Alternative Lifestyle (Annuity) - age 45	17.3	8.8
Alternative Lifestyle (Annuity) - age 55	13.1	5.5
Alternative Lifestyle (Drawdown) - age 25	17.3	8.8
Alternative Lifestyle (Drawdown) - age 45	17.3	8.8
Alternative Lifestyle (Drawdown) - age 55	15.9	7.7
Alternative Lifestyle (Cash Lump Sum) - age 25	17.3	8.8
Alternative Lifestyle (Cash Lump Sum) - age 45	17.3	8.8
Alternative Lifestyle (Cash Lump Sum) - age 55	13.1	5.5

Below are the annualised net investment returns to 30 June 2024 for all funds where no lifestyling takes place:

Manager	**Fund**	**1 Year (%)**	**5 Years (% p.a.)**

Phoenix Life Limited	Scottish Mutual With-Profits Fund*	n/a	n/a
Aviva	abrdn Global Absolute Return Strategies**	n/a	n/a
Aviva	abrdn Diversified Growth and Income***	3.1	-1.8
Aviva	Artemis Strategic Bond	9.6	0.9
Aviva	Artemis UK Special Situations	15.9	7.9
Aviva	Baillie Gifford American	19.8	9.8
Aviva	Baillie Gifford International	14.1	8.6
Aviva	Baillie Gifford Japanese	5.5	2.0
Aviva	Baillie Gifford Managed	8.9	4.5
Aviva	Baillie Gifford UK Equity Core	9.1	2.1
Aviva	Balanced Multi Asset Fund	11.4	4.6
Aviva	BlackRock (30:70) Currency Hedged Global Equity Index Tracker	19.1	9.2
Aviva	BlackRock (40:60) Global Equity Index Tracker	18.1	9.4
Aviva	BlackRock (50:50) Global Equity Index Tracker	14.7	7.2
Aviva	BlackRock (60:40) Global Equity Index Tracker	14.3	6.8
Aviva	BlackRock Consensus	12.0	5.4
Aviva	BlackRock DC Diversified Growth	10.3	3.6
Aviva	BlackRock Emerging Markets Index Tracker	10.7	1.9
Aviva	BlackRock European Equity Index Tracker	12.0	7.7
Aviva	BlackRock Japanese Equity Index Tracker	12.3	6.3
Aviva	BlackRock Over 15 Year Corporate Bond Index Tracker	9.2	-4.9
Aviva	BlackRock Over 15 Year Gilt Index Tracker	1.8	-9.4
Aviva	BlackRock Over 5 Year Index-Linked Gilt Index Tracker	-0.4	-8.0
Aviva	BlackRock Overseas Bond Index Tracker	-2.0	-3.6
Aviva	BlackRock Pacific Rim Equity Index Tracker	6.6	3.2
Aviva	BlackRock UK Equity Index Tracker	12.3	5.0
Aviva	BlackRock UK Equity	13.5	6.2
Aviva	BlackRock UK Smaller Companies	12.5	2.6
Aviva	BlackRock UK Special Situations	8.5	2.0
Aviva	BlackRock US Equity Index Tracker	26.1	14.6
Aviva	BlackRock World ex UK Equity Index Tracker	21.6	12.2
Aviva	BNY Mellon Global Equity	21.1	11.0
Aviva	BNY Mellon Long-Term Global Equity	12.4	9.5
Aviva	BNY Mellon Multi-Asset Balanced	12.4	7.8
Aviva	BNY Mellon Real Return	9.3	2.6
Aviva	BNY Mellon UK Equity	6.5	2.8
Aviva	BNY Mellon UK Income	15.7	7.6

Aviva	Cash	4.7	1.3
Aviva	Cautious Managed	8.9	3.0
Aviva	Cautious Multi Asset Fund	8.9	3.0
Aviva	CT European Select	13.8	8.5
Aviva	CT Global Equity Income	12.5	6.7
Aviva	CT UK Equity Income	12.7	6.8
Aviva	CT UK Social Bond	8.9	-0.3
Aviva	European	6.2	5.7
Aviva	Fixed Interest	7.9	-2.7
Aviva	Global Equity	25.0	14.1
Aviva	HSBC Islamic Global Equity Index	30.8	16.7
Aviva	Index-Linked	0.9	-6.4
Aviva	Invesco Corporate Bond	11.1	0.5
Aviva	JPM Emerging Markets	6.3	1.5
Aviva	JPM Natural Resources	10.1	8.5
Aviva	Lazard Multicap UK Income	14.0	4.9
Aviva	Legal & General (PMC) Ethical UK Equity Index	n/a	n/a
Aviva	Legal & General (PMC) FTSE4Good UK Equity Index***	11.4	4.5
Aviva	Legal & General (PMC) Future World Annuity Aware	8.2	-4.6
Aviva	Legal & General (PMC) Global Real Estate Equity Index	4.3	-0.6
Aviva	M&G Feeder of Property**	n/a	n/a
Aviva	Managed	11.4	4.6
Aviva	Multi-Asset Growth Fund	11.4	4.6
Aviva	Multi-Asset Index Cautious fund	13.0	5.5
Aviva	Multi-Asset Index Growth fund	17.2	8.6
Aviva	My Future Annuity	8.3	-4.7
Aviva	My Future Cash Lump Sum	7.0	0.2
Aviva	My Future Consolidation	8.9	2.2
Aviva	My Future Drawdown	13.0	5.6
Aviva	My Future Focus Annuity	8.2	-4.9
Aviva	My Future Focus Cash Lump Sum	6.2	0.0
Aviva	My Future Focus Consolidation (Pre-2024)	7.6	1.1
Aviva	My Future Focus Drawdown	10.1	2.3
Aviva	My Future Focus Growth	13.8	5.2
Aviva	My Future Growth	17.3	8.8
Aviva	Ninety One Global Income Opportunities	5.9	-0.3
Aviva	North American	30.4	16.6

Aviva	Pacific Basin	8.1	3.8
Aviva	Pre-Retirement Fixed Interest	7.1	-4.7
Aviva	Property	0.3	1.0
Aviva	Schroder Diversified Growth	9.0	2.5
Aviva	Schroder Tokyo	13.2	5.7
Aviva	Stewart Investors Asia Pacific Leaders Sustainability	14.0	9.4
Aviva	Sustainable Stewardship International Equity	12.8	6.5
Aviva	Sustainable Stewardship Managed	12.9	4.0
Aviva	Sustainable Stewardship UK Equity	10.1	4.8
Aviva	Sustainable Stewardship UK Equity Income	9.7	6.2
Aviva	UK Equity	10.1	5.2
Aviva	UK Smaller Companies	17.8	4.2

*We requested this data from Phoenix Life and are working with them to ensure that this data is available in the future.

**Funds closed during the Scheme year therefore no data is available as at the reporting date.

***Funds added during Scheme year.

With regard to the Phoenix Life with-profits deferred annuity contact, the premiums paid purchase a guaranteed annuity at retirement with reference to an underlying rate table. It is possible that the underlying guarantee may be increased through the payment of an annual or terminal bonus. However, Phoenix Life have not paid annual bonuses for many years and the extent to which a terminal bonus is paid is limited.

Financial Transactions

The Trustees monitor the Aviva service levels at each Trustee meeting against the agreed service level agreement. Service levels during the Scheme year have been consistently good. Aviva also issues regular Management Information reports which contain information on service level attainment. Phoenix Life commit to complete administration tasks promptly however, they do not provide reporting on service levels to the Trustees.

The Trustees continue to monitor the payment of contributions to Phoenix Life and Aviva by checking the monthly payroll deductions and annually through the audit process of the Scheme's accounts.

The Trustees' annual Report and Accounts are also independently audited annually by the Scheme's appointed auditor, Chiene and Tait LLP.

Asset Allocation Disclosures

The Trustees are required to disclose a breakdown of the asset allocation of the default investment strategy for the Scheme. The below table sets out the asset allocation of the default strategy across the core asset classes noted as:

- Cash
- Bonds

- Listed Equities
- Private Equities
- Infrastructure
- Property
- Private debt
- Other (any assets which do not fall into the above e.g., gold and liquid alternatives)

Within the below table, the Trustees have provided a further breakdown within some of these broader categories.

Asset Class	Strategic asset allocation (%) – as at 29/06/2024			
	25 year old	**45 year old**	**55 year old**	**1 day prior to State pension age**
Cash	0.7	0.7	0.9	1.3
Bonds	21.1	21.1	34.8	71.9
Listed equities	73.7	73.7	59.3	20.2
Private equities	0.0	0.0	0.0	0.0
Infrastructure	0.0	0.0	0.0	0.0
Property	1.2	1.2	0.9	0.3
Private debt	0.0	0.0	0.0	0.0
Other	3.4	3.4	4.2	6.3
Total	100.0	100.0	100.0	100.0

Note: Asset allocations based on fund holdings of the default strategy as at 29/06/2024.

Charges and Transaction Costs

From 1 August 2023, the Total Expense Ratio (TER) of the two Aviva funds within the default arrangement is 0.63% per annum. Prior to this date, the member charge had been 0.72% per annum. Scheme members can also invest in an extensive range of fund options available on Aviva's platform. The impact of charges and transaction costs are set out in the next section.

Below are the Charges and Transaction Costs to 30 June 2024 for all arrangements where lifestyling takes place:

Age of member at start of reporting period	TER (%)	Average transaction costs (%)	Total costs (%)
Default Lifestyle – age 25	0.63	0.07	0.70
Default Lifestyle – age 45	0.63	0.07	0.70
Default Lifestyle – age 55	0.63	0.06	0.69
Alternative Lifestyle (Annuity) - age 25	0.63	0.07	0.70

Alternative Lifestyle (Annuity) - age 45	0.63	0.07	0.70
Alternative Lifestyle (Annuity) - age 55	0.63	0.06	0.69
Alternative Lifestyle (Drawdown) - age 25	0.63	0.07	0.70
Alternative Lifestyle (Drawdown) - age 45	0.63	0.07	0.70
Alternative Lifestyle (Drawdown) - age 55	0.63	0.07	0.70
Alternative Lifestyle (Cash Lump Sum) - age 25	0.63	0.07	0.70
Alternative Lifestyle (Cash Lump Sum) - age 45	0.63	0.07	0.70
Alternative Lifestyle (Cash Lump Sum) - age 55	0.63	0.06	0.69

Below are the Charges and Transaction Costs to 30 June 2024 for all funds where no lifestyling takes place:

The charges that Phoenix Life apply are implicit within the guaranteed annuity rate tables therefore an analysis of the impact of costs and charges is not feasible.

Manager	**Fund**	**TER (%)**	**Average transaction costs (%)**	**Total costs (%)**
Phoenix Life Limited	Scottish Mutual With-Profits Fund*	n/a	n/a	n/a
Aviva	abrdn Global Absolute Return Strategies**	n/a	n/a	n/a
Aviva	abrdn Diversified Growth and Income***	1.58	n/a	n/a
Aviva	Artemis Strategic Bond	1.17	0.10	1.27
Aviva	Artemis UK Special Situations	1.39	0.13	1.52
Aviva	Baillie Gifford American	1.10	0.04	1.14
Aviva	Baillie Gifford International	0.86	0.04	0.90
Aviva	Baillie Gifford Japanese	1.10	0.03	1.13
Aviva	Baillie Gifford Managed	0.86	0.09	0.95
Aviva	Baillie Gifford UK Equity Core	0.97	0.04	1.01
Aviva	Balanced Multi Asset Fund	0.63	0.05	0.68
Aviva	BlackRock (30:70) Currency Hedged Global Equity Index Tracker	0.63	0.06	0.69
Aviva	BlackRock (40:60) Global Equity Index Tracker	0.63	0.01	0.64
Aviva	BlackRock (50:50) Global Equity Index Tracker	0.63	0.03	0.66
Aviva	BlackRock (60:40) Global Equity Index Tracker	0.63	0.03	0.66
Aviva	BlackRock Consensus	0.63	0.00	0.63
Aviva	BlackRock DC Diversified Growth	1.24	0.20	1.44
Aviva	BlackRock Emerging Markets Index Tracker	0.89	0.02	0.91

Aviva	BlackRock European Equity Index Tracker	0.63	0.02	0.65
Aviva	BlackRock Japanese Equity Index Tracker	0.63	0.05	0.68
Aviva	BlackRock Over 15 Year Corporate Bond Index Tracker	0.63	0.12	0.75
Aviva	BlackRock Over 15 Year Gilt Index Tracker	n/a	0.02	n/a
Aviva	BlackRock Over 5 Year Index-Linked Gilt Index Tracker	0.63	0.02	0.65
Aviva	BlackRock Overseas Bond Index Tracker	0.63	0.01	0.64
Aviva	BlackRock Pacific Rim Equity Index Tracker	0.63	0.06	0.69
Aviva	BlackRock UK Equity	0.85	0.11	0.96
Aviva	BlackRock UK Equity Index Tracker	0.63	0.10	0.73
Aviva	BlackRock UK Smaller Companies	1.53	0.34	1.87
Aviva	BlackRock UK Special Situations	1.53	0.30	1.83
Aviva	BlackRock US Equity Index Tracker	0.63	0.04	0.67
Aviva	BlackRock World ex UK Equity Index Tracker	0.63	0.02	0.65
Aviva	BNY Mellon Global Equity	1.10	0.12	1.22
Aviva	BNY Mellon Long-Term Global Equity	1.30	0.04	1.34
Aviva	BNY Mellon Multi-Asset Balanced	0.94	0.05	0.99
Aviva	BNY Mellon Real Return	1.51	0.10	1.61
Aviva	BNY Mellon UK Equity	0.95	0.10	1.05
Aviva	BNY Mellon UK Income	1.12	0.19	1.31
Aviva	Cash	0.63	0.00	0.63
Aviva	Cautious Managed	0.63	0.02	0.65
Aviva	Cautious Multi Asset Fund	0.63	0.02	0.65
Aviva	CT European Select	1.12	0.08	1.20
Aviva	CT Global Equity Income	1.32	0.07	1.39
Aviva	CT UK Equity Income	1.14	0.12	1.26
Aviva	CT UK Social Bond	0.94	0.03	0.97
Aviva	European	0.63	0.14	0.77
Aviva	Fixed Interest	0.63	0.05	0.68
Aviva	Global Equity	0.63	0.14	0.77
Aviva	HSBC Islamic Global Equity Index	0.93	0.01	0.94
Aviva	Index-Linked	0.63	0.01	0.64
Aviva	Invesco Corporate Bond	1.13	0.07	1.20
Aviva	JPM Emerging Markets	1.43	0.24	1.67
Aviva	JPM Natural Resources	1.46	0.43	1.89

Aviva	Lazard Multicap UK Income	1.00	0.13	1.13
Aviva	Legal & General (PMC) Ethical UK Equity Index	n/a	0.08	n/a
Aviva	Legal & General (PMC) FTSE4Good UK Equity Index***	0.83	n/a	n/a
Aviva	Legal & General (PMC) Future World Annuity Aware	n/a	0.03	n/a
Aviva	Legal & General (PMC) Global Real Estate Equity Index	0.98	0.06	1.04
Aviva	M&G Feeder of Property**	n/a	n/a	n/a
Aviva	Managed	0.63	0.05	0.68
Aviva	Multi-Asset Growth Fund	0.63	0.05	0.68
Aviva	Multi-Asset Index Cautious fund	0.63	0.06	0.69
Aviva	Multi-Asset Index Growth fund	0.63	0.06	0.69
Aviva	My Future Annuity	0.63	0.01	0.64
Aviva	My Future Cash Lump Sum	0.63	0.03	0.66
Aviva	My Future Consolidation	0.63	0.04	0.67
Aviva	My Future Drawdown	0.63	0.06	0.69
Aviva	My Future Focus Annuity	0.73	0.01	0.74
Aviva	My Future Focus Cash Lump Sum	0.73	0.03	0.76
Aviva	My Future Focus Consolidation (Pre-2024)	0.73	0.03	0.76
Aviva	My Future Focus Drawdown	0.73	0.02	0.75
Aviva	My Future Focus Growth	0.73	0.03	0.76
Aviva	My Future Growth	0.63	0.07	0.70
Aviva	Ninety One Global Income Opportunities	1.36	0.23	1.59
Aviva	North American	0.63	0.10	0.73
Aviva	Pacific Basin	0.63	0.07	0.70
Aviva	Pre-Retirement Fixed Interest	0.63	0.02	0.65
Aviva	Property	0.63	0.08	0.71
Aviva	Schroder Diversified Growth	1.19	0.24	1.43
Aviva	Schroder Tokyo	1.48	0.04	1.52
Aviva	Stewart Investors Asia Pacific Leaders Sustainability	1.42	0.07	1.49
Aviva	Sustainable Stewardship International Equity	0.63	0.14	0.77
Aviva	Sustainable Stewardship Managed	0.63	0.11	0.74
Aviva	Sustainable Stewardship UK Equity	0.63	0.04	0.67
Aviva	Sustainable Stewardship UK Equity Income	0.63	0.03	0.66
Aviva	UK Equity	0.63	0.08	0.71
Aviva	UK Smaller Companies	0.63	0.00	0.63

[*] We requested this data from Aviva and Phoenix Life. We are working with them to ensure that this data is available in the future.

[**]Funds closed during the Scheme year therefore no data is available as at the reporting date.

[***]Transaction costs (and therefore total costs) data not available as funds were recently added and so do not have enough historical data to calculate average. Average transaction costs based on 3 years of data.

A reduction in fees of 9 basis points has been applied by Aviva from 1 August 2023.This reduction is reflected in the table above as data is correct as at 30 June 2024.

Impact of Charges and Transaction Costs

Disclosure regulations require the Trustees to illustrate the potential impact of charges and transaction costs on the value of Members' Accounts (pot size). In order to do this, we have to make a number of assumptions. For this Chair's Statement the assumptions are as follows:

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 £63,000 for the 37-year-old member and the 56-year-old member.
4. It is assumed that the annual salary for both members is £56,400.
5. Inflation is assumed to be 2.5% each year.
6. Gross contributions for both the 37-year-old and 56-year-old member are assumed to be £4,512 each year, which increases by 2.5% per annum in line with inflation. Contributions are assumed from the start of the projection to retirement.
7. Values shown are estimates and are not guaranteed.
8. The projected growth rate is not shown for every period to retirement above. The projected growth rate which would apply at a point in time is the weighted average of the underlying funds held by the member.
9. The charges assumed for each fund are the current charges as shown in the Chair's Statement.

The table below shows the impact of costs and charges for a member. Statutory guidance provided has been considered when providing these examples. The Regulations require the Trustees to provide a disclosure of costs and charges for a range of funds:

- Default option (or most popular)
- Highest cost fund
- Lowest cost fund
- The fund with the lowest assumed growth, according to assumptions made in the Plan's Statutory Money Purchase Illustrations (SMPIs). Note that no allowance is made for outperformance in respect of actively managed funds.
- The fund with the highest assumed growth, again according to assumptions made in the Plan's SMPIs. No allowance is made for outperformance in respect of actively managed funds.

Member projections – the default lifestyle arrangement

Active member – ongoing contributions assumed invested in the default lifestyle strategy				
Years from 30/6/24	37-year-old member		56-year-old member	
	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)
1	69,143	68,689	68,534	68,088
3	81,894	80,376	79,564	78,106
5	95,290	92,489	90,443	87,824
9	124,151	118,053	111,271	105,945
15	172,496	159,391		
20	212,448	191,884		
25	248,289	219,378		
28	266,685	232,635		

Individual fund projections – the funds with the highest and lowest charges

37-year-old member				
Years from 30/6/24	JPM Natural Resources (Highest Charging)		BlackRock Consensus (Lowest Charging)	
	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)
1	70,447	69,215	69,143	68,732
3	86,363	82,135	81,894	80,520
5	103,743	95,738	95,290	92,752
10	154,515	132,976	131,823	125,393
15	217,787	175,334	173,157	161,201
20	296,636	223,515	219,922	200,485
25	394,895	278,320	272,833	243,582
28	465,110	314,756	307,861	271,422

56-year-old member				
Years from 30/6/24	JPM Natural Resources (Highest Charging)		BlackRock Consensus (Lowest Charging)	
	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)
1	70,447	69,215	69,143	68,732
3	86,363	82,135	81,894	80,520
5	103,743	95,738	95,290	92,752
9	143,448	125,140	124,151	118,621

Individual fund projections – the funds with the highest and lowest expected returns

37-year-old member				
Years from 30/6/24	Aviva Pension UK Smaller Companies (Highest Returning)		Aviva Pension My Future Focus Consolidation (Pre-2024) (Lowest Returning)	
	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)
1	70,447	70,037	66,533	66,038
3	86,363	84,937	73,441	71,911
5	103,743	101,013	80,143	77,521
10	154,515	146,974	96,038	90,475
15	217,787	202,544	110,777	102,031
20	296,636	269,732	124,443	112,340
25	394,895	350,966	137,114	121,536
28	465,110	407,647	144,269	126,571

56-year-old member				
Years from 30/6/24	Aviva Pension UK Smaller Companies (Highest Returning)		Aviva Pension My Future Focus Consolidation (Pre-2024) (Lowest Returning)	
	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)
1	70,447	70,037	66,533	66,038
3	86,363	84,937	73,441	71,911
5	103,743	101,013	80,143	77,521
9	143,448	137,071	92,955	88,001

Value for Member Assessment

As the Scheme has total assets of under £100m, under the 2021 Regulations, the Trustees are required to carry out a more detailed Value for Member assessment. This includes using three comparator schemes for the purpose of comparing the costs and charges and net performance returns of the Scheme with other larger DC schemes.

The comparator schemes chosen include a bundled DC arrangement and an unbundled DC arrangement, both with DC assets in excess of £100m. The third comparator is a Master Trust arrangement capable of taking on the benefits and assets of the Scheme.

The costs and charges and net investment returns of the Scheme's default arrangement and those of the comparator schemes chosen are set out in Appendix 1 of this Statement.

The Appendix highlights that higher charges are applied to members policies within the Scheme when compared to the default investment strategies of the comparator schemes.

However, the net investment returns of the Scheme's default investment strategy are amongst some of the higher returns when compared to the comparator schemes over the periods assessed.

The comparator schemes provide a reasonable comparison against the Scheme's Aviva investments but not the Phoenix Life with-profits fund which provides potentially valuable guaranteed benefits at retirement.

Information was requested from Phoenix Life regarding the underlying costs of the with-profits fund, but this information was not provided. Separate analysis has indicated that the guaranteed benefits are potentially of value to members and that the investment returns required to generate a fund of sufficient size to purchase similar guarantees may be unrealistic in the current economic climate, depending on the age of the member.

In addition, the Trustees are required to carry out a self-assessment of scheme governance and administration against certain criteria, which are prescribed in the 2021 Regulations. The Trustees' assessment of the Scheme's governance and administration against the areas prescribed in the 2021 Regulations is that Phoenix Life falls below the level of service and wider offering that could be provided by an alternative provider.

Assessing whether this offsets the benefits of the guaranteed benefits to the extent that the Money Purchase section should be wound up is difficult. However, on balance the Trustees believe that the guaranteed benefits are valuable to members and the Phoenix Life policy is therefore not being considered at this stage as part of the DC Review.

With regard to Aviva, it is clear that more competitive costs and charges could be achieved from the wider DC market although the Trustees noted that members have benefited from strong net investment returns over the last few years. As part of the DC Review, the Trustees are considering a wide range of factors before determining the future of the Aviva section.

In isolation the Trustees have concluded that a transfer of the Aviva investments to an alternative vehicle would represent better value for members. However, given the nature of the Phoenix Life benefits, the Trustees do not currently intend to make any changes to the Phoenix Life section. Subject to meeting auto-enrolment requirements, it may however be possible to transfer the Aviva funds to a more competitive DC vehicle which would offer better value for members. On completion of the DC Review, the Trustees would inform members in advance of any changes being made.

Trustee Knowledge and Understanding (TKU)

The law requires the Trustees to possess sufficient knowledge and understanding to enable them to properly exercise their functions as a trustee including (in relation to a DC scheme) that they must be conversant with:

- The trust deed and rules of the scheme.
- The statement of investment principles.
- Any other scheme administration policies or scheme documents.

And must have appropriate knowledge and understanding of:

- The law relating to pensions and trusts.
- The principles relating to
- The funding of occupational pension schemes.

- Investment of the assets of such schemes.

The Trustees have all undertaken the Pensions Regulator's Training Toolkit assessment. The Trustees also receive regular training from their advisers on topical issues. During the Scheme year, the Trustees received training on the following topics:

- Chancellor's Autumn statement
- The single Code of Practice
- Pensions Dashboard
- PPF levy consultation
- Scheme governance models
- FCA consultation on advice guidance boundary
- DC delivery vehicles

Signed for and on behalf of the Kwik-Fit Group Pension and Life Assurance Scheme.

Glenn Andrews

……………………………………………

Glenn Andrews - Chair of the Trustees

16/01/2025
…………………………… Date

Appendix 1 - Illustrations of the effect of costs and charges and net investment returns including comparison against three comparator schemes

Background

The next pages provide comparative information about the costs and charges applied by the Scheme's fund managers and those of the three comparator schemes. Net investment returns are also shown.

Information is provided for the default fund as most members invest in this fund. Impacts for members aged 55, 45 and 25 are shown.

Costs and Charges

The tables below set out the Schemes costs and charges of the default fund against three comparator Schemes.

Scheme	**Total Expense Ratio (%)**	**Transition Costs (%)**	**Total Costs (%)**
Age 25	0.63	0.07	0.70
Age 45	0.63	0.07	0.70
Age 55	0.63	0.06	0.69

Comparator 1	**Total Expense Ratio (%)**	**Transition Costs (%)**	**Total Costs (%)**
Age 25	0.73	0.03	0.76
Age 45	0.73	0.03	0.76
Age 55	0.73	0.03	0.76

Comparator 2	**Total Expense Ratio (%)**	**Transition Costs (%)**	**Total Costs (%)**
Age 25	0.21	0.12	0.33
Age 45	0.21	0.12	0.33
Age 55	0.21	0.12	0.33

Comparator 3	**Total Expense Ratio (%)**	**Transition Costs (%)**	**Total Costs (%)**

Age 25	0.33	0.11	0.44
Age 45	0.33	0.11	0.44
Age 55	0.38	0.13	0.51

Net Investment Returns

The table below sets out the net annualised investment returns for the default investment strategy.

	Age 25		Age 45		Age 55	
	1 Year (%)	5 Years (% p.a.)	1 Year (%)	5 Years (% p.a.)	1 Year (%)	5 Years (% p.a.)
Scheme	17.3	8.8	17.3	8.8	14.5	6.6
Comparator 1	13.8	5.2	13.8	5.2	13.8	5.2
Comparator 2	9.6	5.3	9.6	5.3	8.4	6.8
Comparator 3	15.6	7.1	14.7	6.7	10.0	3.4

BIG THINKING
FOR SMALL SCHEMES

Statement of Investment Principles

Kwik Fit Group Pension and Life Assurance Scheme

September 2024

BARKER TATHAM™
PENSION INVESTMENTS

1. Introduction

Under the Pensions Act 1995, trustees are required to prepare and review regularly a Statement of Investment Principles, dealing with certain specific matters.

This statement sets out the principles governing decisions about the investment of the assets of the Kwik-Fit Group Pension and Life Assurance Scheme (the Scheme). Before preparing it, the Trustees obtained and considered written professional advice from Barker Tatham Investment Consultants Limited as their investment consultants. Prior to finalising this document, they also consulted with the sponsoring employer. Barker Tatham Investment Consultants Limited are licensed by the Institute and Faculty of Actuaries to provide investment advice.

The Trustees review this Statement on a regular basis and will also do so in response to any material changes to the investment arrangements of the Scheme. Formal reviews will be undertaken no less frequently than every 3 years to coincide with the Actuarial Valuations. Any such review will again be based on written expert investment advice and will be in consultation with the Scheme's sponsoring employer, Kwik Fit.

Signed for and on behalf of the Trustees of the Kwik-Fit Group Pension and Life Assurance Scheme

Signed: .... Date: 25/10/2024

2. Decision Making

The Trustees distinguish between two types of investment decision:

Strategic investment decisions

These decisions are long-term in nature, and driven by an understanding of the objectives, needs and liabilities of the Scheme.

The Trustees take all such decisions. Where appropriate this is after receiving written advice from their investment consultant, and consulting, as appropriate, with the employer.

Examples of such decisions include:

- setting investment objectives;
- setting strategic asset allocation;
- setting benchmarks;
- drafting the Statement of Investment Principles; and
- appointing and removing fund managers.

Work is charged for either by an agreed fee or on a time cost basis. In particular the investment consultant does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of their advice. The Trustees believe that this is the most appropriate fee structure for the Scheme.

Tactical investment decisions

Tactical investment decisions are based on views of future market movements.

The Trustees employ fund managers to make such judgements, and do not interfere with their decisions. Examples of such decisions include:

- selecting individual stocks;
- temporarily deviating from the strategic asset allocation to take advantage of better market opportunities; and
- timing of entry or exit from a market.

Each investment manager is remunerated by ad valorem charges based on the value of assets managed on behalf of the Scheme. The Trustees believe that this is the most appropriate fee structure for the Scheme.

The investment consultant and fund managers used by the Trustees are authorised and regulated by the FCA or relevant designated professional bodies.

3. DB: Investment Objectives

The Trustees' investment policy for the defined benefit section is guided by the following objectives:

What constitutes risk?

Given the very strong funding position of the Scheme, the Trustees aim to minimise the risk to the surplus on an ongoing basis. The Trustees define risk in terms of volatility of the surplus. This is defined on a gilts+0.2% p.a. basis.

1. The most significant risk from the Trustees' perspective is that the monetary position on the ongoing basis (as calculated in the triennial actuarial valuations) deteriorates.
    - The size of the surplus in monetary terms is of more importance than the funding level in percentage terms.

2. The buyout version of the liabilities is less important.

Appetite for risk

Taking into account the specifics of the scheme, the Trustees rates their appetite for risk as "0". The Trustees wish to "lock into" their current funding position by taking as little risk as possible.

This is on a scale of "0" (no tolerance for risk whatsoever, regardless of the impact on cost) to "10" (risk is irrelevant; maximising long-term expected returns is the only consideration).

Other considerations

- **Net cashflows**
  The Scheme needs liquidity to buy annuities for members as they retire.

- **Flexibility**
  The investments need to be able to easily accommodate a move to buyout if and when the opportunity arises.

- **Environmental, Social and Corporate Governance Issues**
  The general approach to environmental and corporate governance issues is covered on page 17.

4. Defined Benefit Section: Myners' Investment Principles

The Trustees recognise the relevance to pension schemes of the Myners' Investment Principles that were published by the Government in October 2001 and updated in March 2008. The Scheme's adherence to (or otherwise) the Myners' Investment Principles is set out below.

Principle 1: Effective Decision-Making

"Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation.

Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest."

- The Trustees make investment decisions by consulting with professionals that they believe to be best equipped to give that advice. Long-term strategic investment decisions are made in consultation with the Scheme's investment consultant, whereas tactical decisions are made by the appropriate fund manager.

Principle 2: Clear Objectives

"Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme's liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers."

- The Trustees have formally reviewed their investment objectives with the assistance of their investment consultant.
- The investment objectives are explicitly stated in Section 3 of this document.
- The strength of the sponsor's covenant is reviewed on a regular basis.
- All the assets of the Scheme are invested via pooled funds. In each case, the fund manager has an explicit benchmark and outperformance target, as well as clear constraints within which to operate.
- The Scheme's overall investment objective is supported by the Scheme's Asset Liability Model and the Scheme's employer covenant.

Principle 3: Risk and Liabilities

"In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk."

- In reviewing the investment strategy, the Trustees commissioned an Asset Liability Model (ALM) from his investment consultant. This explicitly took account of the form and structure of the liabilities, as well as longevity risk.

- This ALM was used to find a strategy which best met the Trustees' investment objectives. Those investment objectives were influenced by the strength of the sponsor covenant and the risk of sponsor default.

Principle 4: Performance Assessment

"Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisors. Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members."

- The Trustees currently receive:
  - quarterly performance reports from the fund managers;
  - bi-annual monitoring reports from the investment consultant; and
  - annual audited accounts.

- The investment monitoring reports include an assessment of how successful the trustees' investment strategy has been in protecting the surplus of the Scheme.

Principle 5: Responsible Ownership

"Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents. A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles. Trustees should report periodically to members on the discharge of such responsibilities."

- We have requested the managers to state their adherence to the ISC Statement of Principles and the Stewardship Code.

- The Trustees' policy on responsible ownership is described in Section 6 of this Statement of Investment Principles.

- The Trustees will report on the Scheme's policy on responsible ownership in the annual report to members and the annual summary funding statement.

Principle 6: Transparency and Reporting

"Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.

Trustees should provide regular communication to members in the form they consider most appropriate."

- A copy of this Statement of Investment Principles is available to members on request, this Statement of Investment Principles can also be viewed on a publicly available website.
- Other documents such as actuarial valuation reports, the Statement of Funding Principles, the schedule of contributions, Implementation Statements and the annual report and accounts are also available to members on request or on a publicly available website.
- A representative from the employer regularly attends Trustee meetings and this helps communication with the employer over investment matters.

5. DB: Implementation

The Trustees set their strategy based on the objectives set out in Section 3 and written advice from the investment consultants. The Trustees last reviewed their strategy in March 2023, and the transfer of assets was completed in April 2023, moving to a bond-based strategy.

The Trustees have decided to protect the surplus of the Scheme (on an ongoing basis) from changes to long-term interest rates or inflation expectation.

As investment markets (particularly interest rates and inflation expectations) move, the split between the assets below will vary. There is no automatic rebalancing as this could lead to the interest rate or inflation exposures of the Scheme being over- or under- hedged. Instead, the hedges are monitored twice a year by the investment consultants. Remedial action is recommended when appropriate.

The table below gives the allocation targeted during March 2023 and implemented as in April 2023.

Manager	Fund	Target Allocation as at March 2023
LGIM	Self-Sufficiency Credit - Real Short Fund	59.6%
LGIM	Active Corporate Bond All Stocks Fund	2.4%
LGIM	Cash Fund	38.0%
Total		**100.0%**

LGIM – Self-Sufficiency Credit – Real Short Fund

- This fund invests in high credit corporate bonds and uses an overlay of inflation linked assets for the Real versions of the funds, to give a range of profile credit funds to match a typical pension scheme's liability.
- The fund aims to generate an expected returns of gilts + 0.5% per annum.

LGIM – Active Corporate Bond – All Stocks Fund

- This Fund is invested predominantly in corporate bonds with credit ratings of BBB and above (i.e. "investment grade".)
- The fund aims to exceed the Markit iBoxx £ Non-Gilts Index benchmark by 0.75% p.a. before fees over a 3-year rolling period.

LGIM - Cash Fund

- This fund offers daily liquidity and aims to preserve capital.
- It invests in a diversified portfolio of low-risk money-market securities.

6. Defined Contributions: Myners' Investment Principles

Principle 1: Clear roles and responsibilities

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

- This lays foundations for the process of investment governance and advocates that schemes have defined and documented roles and responsibilities for each element of the governance chain. The Trustees have outlined these roles in this Statement.

Principle 2: Effective decision making

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

- The Trustees make investment decisions based on quality and timely information and/or advice provided by professionals that they believe to be best equipped to provide that information or advice.

Principle 3: Appropriate investment options

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

- The Trustees have formally reviewed their investment objectives and investment options with the assistance of their investment consultant.

- The Scheme offers an appropriate default option and a range of other investment options, given the expected risk tolerances and requirements of Scheme members.

Principle 4: Appropriate default strategy

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

- A relatively straightforward default strategy is set up that would cater for the majority of members, given the profile of the members.

- The default lifestyling arrangement currently in place specifically targets the purchase of an annuity at retirement together with a cash lump sum.

Principle 5: Effective performance assessment

"The performance of investment options is monitored."

- The Trustees currently:
  - Receive quarterly valuation reports from the fund provider (Aviva)
  - Meet at least twice a year, when they also review fund performance
  - Prepare an annual report to members, including annualised investment returns for a selection of funds and the Auditor's statement on contributions paid.

Principle 6: Clear and relevant communication to members

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

- Members are provided with annual benefit statements, and have access to detailed investment reports in paper or electronic format, from Aviva.

- Communications are tailored to the expertise of the members, with information on how to seek further assistance, if required.

- The Trustees are required to produce an annual Chair's Statement. This statement is made available on a public website.

- A copy of this Statement of Investment Principles is available to members on request.

- A representative from the employer (who may also be a Trustee and/or a member of the Scheme) regularly attends Trustees' meetings and this helps communication with the employer over investment matters.

7. DC: Trustees' Investment Objectives, Policy on Risk and Investment Beliefs

Trustees' investment objectives

The Trustees recognise that members have differing investment needs and that these may change during the course of the members' working lives. The Trustees also recognise that members have different attitudes to risk. The Trustees believe that members should make their own investment decisions based on their individual circumstances and, therefore, see their duty as making available a range of suitable investment options, sufficient to allow members to tailor their own investments.

The Trustees also recognise that some members may not believe themselves able to make an investment decision and, as such, the Trustees make available a default option.

The Trustees regularly review the suitability of the options provided with the most recent review taking place in 2023.

Trustees' policy with regard to risk

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

The Trustees recognise that in a DC arrangement, members assume the investment risks themselves. The Trustees further recognise that members are exposed to different types of risk at different stages of their working lifetimes. Broadly speaking, the following types of risk can be identified:

- **Investment-return risk**
  - This is the risk that the investment return over the members' working lives will not keep pace with inflation and does not provide adequate savings to meet members' retirement income needs.

- **Underperformance risk**
  - This is the risk that the investment vehicles in which monies are invested under-perform the expectations of the Trustees.

- **Annuity-rate risk**
  - This is the risk that a member's ability to purchase an adequate annuity at retirement is compromised by rising annuity prices.

- **Drawdown risk**
  - This is the risk that a member's invested pension fund can fluctuate according to what the market is doing.

- **Market movement risk**
    - This is the risk that investment market movements in the period immediately prior to retirement leads to a substantial reduction in the level of members' retirement savings.

- **Lump-sum risk**
    - When close to retirement, a member may still be fully invested in those asset classes (every type except Cash), which are subject to volatility in capital-value terms.

- **Market-switching risk**
    - If there is to be switching between investment vehicles and it is performed wholesale, members may be unnecessarily exposed to the fluctuations in the markets on a particular day.

Underlying investment principles

The Trustees, having taken investment advice, have adopted the investment strategy based on the following underlying principles:

- long term growth on investment options that invest predominantly in equities and other growth seeking asset classes (e.g. diversified growth funds) will exceed price inflation and general salary growth

- the long-term returns on bonds and cash options will be lower than the largely equity invested options

- bond funds broadly match the price of annuities, and so investing in a bond fund is expected to provide some protection for the amount of protected pension that a member could expect to purchase at retirement

- Cash funds provide protection against changes in short terms capital values, and may be appropriate for members taking all, or part, of their retirement benefits in the form of a cash lump sum (although it is not guaranteed that these funds will not fall in value).

In choosing the Scheme's investment options, the Trustees have considered:

- A full range of asset classes, including alternative asset classes
- the suitability of each asset class within a defined contribution scheme
- the need for appropriate diversification and adequate liquidity.

The member options are invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid, as far as is reasonably possible, accumulations of risk in the individual member's portfolios as a whole. Investment in derivatives is only made by the managers in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

The Trustees have made the full range of funds on Aviva's platform available for DC members in addition to the default strategy.

Trustees' stance on investment in illiquid assets

The Pensions Regulator (TPR) updated its guidance in 2023 in order for defined contribution (DC) schemes comply with new regulations. These regulations were designed to ensure they consider all the investment opportunities available to achieve the best value for savers. Trustees of DC schemes must now consider investment in illiquid assets as part of the default arrangement.

Illiquid assets are those which cannot easily or quickly be sold or exchanged for cash and include any such assets held in a collective investment scheme.

The Trustees' views are as follows:

> The Trustees are open to considering illiquid assets as an option if there is an appropriate and accessible fund available to its members. Illiquid options for a Scheme of this size and nature have not yet been made available by their current provider, Aviva. Searching for alternative providers would not represent value for the Scheme or its members, particularly due to the size of the Scheme. Therefore, the Trustees agree not to include any illiquid assets as part of the strategy, until a more suitable option becomes available.

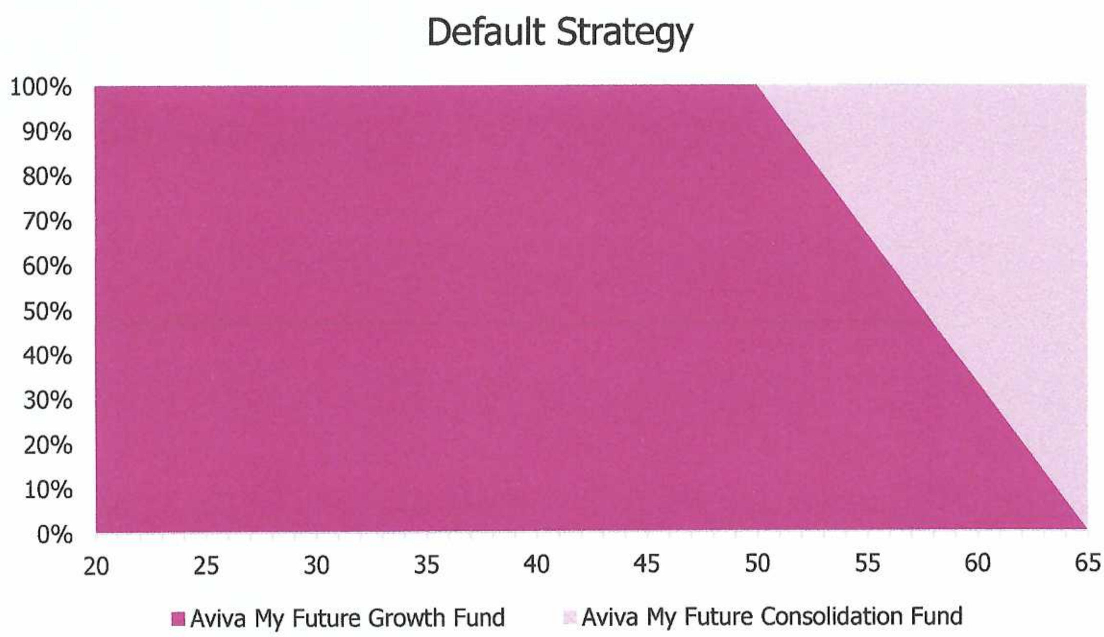
8. DC: Default Strategy

Objectives

- The Trustees have selected a default investment strategy for Scheme members who do not wish to select their own investments.
- The strategy was reviewed in 2023, taking into account general member behaviour at retirement, in light of the pension freedoms introduced in 2015.

Strategy

- 100% investment in the **Aviva My Future Growth fund** until the age of 50*
- Switch investments on a monthly basis into lower risk **Aviva My Future Consolidation Fund**
- Switching period of 15 years



Rationale

- The Aviva My Future Fund invests in growth assets.
- The Aviva My Future Consolidation Fund aims to provide a broad 'base' for members to reflect the pension freedoms.

9. Prescribed Matters – Both DB & DC

Introduction

This section covers those matters prescribed in Sections 35 and 36 of The Pensions Act 1995, The Pensions Act 2004 and the 2005 Investment Regulations 2005/3378 (as amended from time to time).

Choosing Investments

The assets of the Scheme are invested in pooled vehicles. Selection of the individual underlying assets has been wholly delegated to the fund managers listed in the Appendix.

Kinds of Investments

The Trustees may invest in the following asset classes (via the fund managers) on behalf of the Scheme:

- UK equities
- Overseas equities
- Corporate bonds
- Gilts (conventional and index-linked)
- Cash
- Overseas bonds
- Property
- Derivatives

The presence of an asset class on the list does not imply that the Scheme is currently invested in such assets.

Balance between Investments

The Trustees recognise the advantages of diversification between UK and overseas investment in equities from the perspective of:

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

Risk (Defined Benefits)

The Trustees pay close regard to the risks that may arise through a mismatch between the Scheme's assets and its liabilities, and to the risks that may arise from the lack of diversification of investments. They believe that the investment policies to be followed by their investment managers do have adequate regard to the need to diversify within each asset class as well as in terms of stock selection.

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

- **Solvency / funding risk:**
  - is managed through setting an investment strategy (primarily asset allocation) with an appropriate level of risk.
  - is measured using an Asset Liability Model from the investment consultant.
  - is monitored in bi-annual reports from the investment consultant.

- **Manager risk:**
  - is managed through selecting funds with a suitable target level of risk, and that the investment consultant have deemed the managers' risk controls as acceptable.
  - is measured and monitored from quarterly reports from the fund managers and the investment consultant.

- **Liquidity risk:**
  - is managed by ensuring that the majority of the pooled funds used by the Scheme are liquid enough to be able to buy annuities for members as they retire.

- **Political risk:**
  - is managed by investing globally.

- **Sponsor risk:**
  - is managed via the actuarial valuation process.
  - is measured and monitored by regular assessment of the Sponsor's covenant by the Trustees.

Expected Return on Investments

Gilts are the easiest asset class for which to predict the long-term returns. Providing that they are held to maturity, and ignoring reinvestment risk, the return on gilts over their lifetime will be the current Gross Redemption Yield (GRY).

The Trustees base their expected investment returns for other asset classes on this GRY as a starting point. Over the long-term, they expect the following returns per year over and above that of gilts:

Corporate Bonds	+1.0%
Index-Linked Corporate Bonds	+1.0%
Cash	-0.2%

Realisation of Investments

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

Environmental, Social and Corporate Governance Policies

In endeavouring to invest in best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds. They acknowledge that they cannot directly influence the environmental, social and governance ("ESG") policies and practices of the companies in which the pooled funds invest. The Trustees also acknowledge that where pooled index fund vehicles are employed which track composite market indices it is not always possible to take ESG considerations into account due to the nature of the investment.

In Principle, the Trustees believe that ESG factors can have an impact on the performance of its investments and that the management of ESG risks and the exploitation of ESG opportunities, especially in relation to climate change, can add value to the portfolio. To that effect, the Trustees expects its fund managers, where appropriate, to have integrated ESG factors as part of their investment analysis and decision-making process.

Appropriate weight will be given to ESG factors in the appointment of fund managers.

The Trustees' views that the stewardship responsibilities attached to the ownership of shares is important but recognise that investment in pooled funds limits their ability to be fully involved. The Trustees expect their investment managers to report in detail on how they have exercised voting rights attached to shares (including across passive equity mandates). Managers are expected to be signatories to the FRC UK Stewardship Code.

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations which expand the requirements for Statements of Investment Principles such as this. To be compliant with these regulations by 1 October 2020, the Trustees have set further ESG policies.

The Trustees' policies are set out below:

- **How they incentivise their appointed investment managers to align investment strategy and decisions with the trustees' policies, including risk, return and ESG.**
  The Scheme invests solely in pooled funds where fees charged are a combination of fixed fees and a proportion of the assets under management. There are no performance-related components of the fees.
  The only incentivisation that the Trustees can exert is through the decision to retain or to liquidate their holdings in each fund.

The investment strategies of the pooled funds are aligned to the Trustees' investment objectives by selecting funds with suitable characteristics:

- Benchmarks
- Risk budgets
- Constraints
- Approaches (this includes ESG where appropriate)

The Trustees maximise the probability of its investment objectives being met by selecting an appropriate and Scheme-specific combination of such funds with advice from their investment consultant.

- **How the asset manager is incentivised to make decisions on assessments about medium to long term financial and non-financial performance of an issuer of debt or equity. Also, how the managers are incentivised to engage with the issuers in order to improve their performance.**
  Active fund managers are retained subject to, amongst other criteria, achieving adequate medium- to long- term performance. In order to do so, they will need to make assessments about the medium to long term financial performance of debt and equity issuers. They will also need to assess non-financial performance in as much as it may be a source of risk.

  It also incentivises them to engage with issuers where this is in the financial interests of the Scheme (i.e. where it will make a material impact on the performance of the fund).

  Passive fund managers are not expected to make assessments about the financial or non-financial performance of the issuers of securities they invest in.

- **How the method and time horizon of the evaluation of managers' performance and remuneration are in line with the trustees' policies.**
  The Trustees receive quarterly reports from the fund managers and quarterly analysis from their investment consultant. The investment consultant takes into account the performance of the fund managers but does not restrict their analysis to performance alone. However, given these funds are passively managed, the performance is expected to be broadly in line with the benchmarks.

  Performance is compared to the benchmark and tracking error target of each fund, in order to ensure that this is in alignment to the objectives and policies of the Trustee.

  In selecting pooled funds, the Trustees and their investment consultant take into account the fees charged by the fund manager. These are judged in terms of value for money given the nature of the fund, particularly the asset class and outperformance target.

  Fund managers need to give the Trustees notice if they plan to change the level of the fees. If this occurs, the Trustee seeks advice from its investment consultant on whether to retain or replace the manager.

- **How the trustees monitor portfolio turnover costs incurred by the manager/s (and how they define and monitor targeted portfolio turnover or turnover range).**
  Given the size of the Scheme's investment it would not be cost effective to monitor the turnover or turnover costs directly. The performance figures that the Trustees and its

investment consultant analyse are net of transactions costs, so this is taken into account indirectly.
The Trustees do not believe that they should micro-manage the level of turnover provided that the net outcome to the Scheme is acceptable.

- **The duration of their arrangement with the asset manager**.
  In order to maintain an incentive for the fund manager to performance well, the Trustees do not enter any fixed term arrangements with their manager. Investments in each pooled fund are only retained for as long as the aim of the fund is consistent with the overall investment objectives of the Scheme, and the Trustees have confidence that the fund managers can credibly deliver that aim in a cost-effective manner.

Appendix: Third Party Arrangements

Advisors

The following advisors assist the Trustees:

Scheme Actuary
Fiona Cochrane
ISIO Edinburgh
110 George Street
New Town
Edinburgh
EH2 4LH

Auditor
Chiene + Tait LLP
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

Pension Consultant
ISIO Edinburgh
110 George Street
New Town
Edinburgh
EH2 4LH

Investment Consultant
Barker Tatham Investment Consultants Ltd,
12-16 Addiscombe Road
Croydon
CR0 0XT

Legal Advisors
Burness Paull LLP
50 Lothian Square
Edinburgh
EH3 9WJ

Fund Managers

The Trustees have appointed the following fund managers:

Legal & General Investment Management
One Coleman Street
London
EC2R 5AA

Aviva Investors
Saint Helen's
1 Undershaft
London
EC3P 3DQ

Phoenix Life Limited
Juxon House
100 St Paul's Churchyard
London
EC4M 8BU

Santander Corporate Banking
2 Triton Square
Regents Place
London
NW1 3AN