

GKN Group Pension Scheme (No.4)

Chair's Annual Governance Statement
6 April 2022 to 5 April 2023

A message from the Chair of the Trustee of the GKN Group Pension Scheme (No.4)

The GKN Group Pension Scheme (No.4) ('the Scheme') is established within a Trust and is governed by a Trust Deed and Rules that set out how the Scheme operates. The Scheme has a single Trustee, GKN 4 Trustee 2018 Limited, which has a Board of Trustee Directors who are responsible for running the Scheme.

This statement is required by law to explain how the Trustee, with the help of its professional advisers, meets a number of statutory governance standards, including the requirements of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and the Occupational Pension Schemes (Scheme Administration) Regulations 1996.

This statement is in respect of the twelve-month period to 5 April 2023 and covers the following:

Section 1 - How the Trustee oversees the Scheme summarises the rigorous governance processes the Trustee undertakes each year to operate the Scheme.

Section 2 - Improving the Trustee's knowledge and understanding shows the continuous efforts the Trustee makes to ensure it maintains the specialist knowledge required to make sure the Scheme is well run.

Section 3 - Managing the Scheme's investment options & reviewing the Default Arrangements focuses on how the Trustee designs and monitors the investment options offered by the Scheme, to ensure that they are appropriate for members.

Section 4 - Statement of Investment Principles (SIP) describes the requirements on the Trustee to produce a SIP, what it contains (including the principles used to design the Default Arrangement) and when it was last updated.

Section 5 - Charges and transactions costs provides information on the various deductions made from Members' Accounts each year to pay for investment management services and the costs associated with running Members' Accounts.

Section 6 - Charges and transaction Costs – illustrations provides examples showing how the investment charges and transaction costs described in Section 5 will affect the value of a Member's Account over time.

Section 7 - Net investment returns provides details of the performance of the Scheme's various investment options, after deduction of the costs described in Section 5.

Section 8 - Value for members states what the Trustee does to ensure that members are receiving value for money from the Scheme, including the results of its latest annual assessment.

Section 9 - Monitoring and processing of core financial transactions explains the internal controls the Trustee has in place in respect of the administration services, including ensuring that financial transactions such as investment switches and transfers out are processed promptly and accurately.

This statement outlines the requirements in each area, how the Trustee ensures it meets or exceeds these requirements on an ongoing basis and the specific actions taken during the year to 5 April 2023 to meet the requirements.

A McKinnon – Chair

Chair of the Trustee of the GKN Group Pension Scheme (No.4)

Section 1: How the Trustee oversees the Scheme

What are the Trustee's responsibilities?

The Trustee is required to ensure that the Scheme offers a robust, well-governed pension savings vehicle that offers good value for money, helping members achieve their retirement savings goals.

How does the Trustee meet these requirements?

The Trustee's long-term strategy for helping improve member outcomes at retirement is guided by the following beliefs:

- The Trustee is here to serve all members, while also helping the company to provide a well-governed pension savings vehicle.
- All members should be encouraged and helped to develop a plan for attaining an appropriate income for life after work.
- While members have the opportunity to make their own investment decisions, the quality and suitability of the Default Arrangement is likely to be of key importance for many members.
- Operating robust internal controls and reliable administration processes is important to the Scheme being trusted and respected by members.
- The Trustee regularly reviews industry innovations, solutions and levels of charges for comparable pension schemes in order to ensure that the Scheme continues to provide members with good value for money.

To this end, the Trustee commits to comply with both the letter and spirit of regulations and will also implement best-practice governance arrangements where possible.

The Trustee has established an Administration Sub-Committee (ASC) that is tasked with overseeing the administration, accounting and defined contribution arrangements of the Scheme. The chair of the ASC reports back to the main board of the Trustee at each meeting, to ratify any decisions made.

Each year the ASC meets at least quarterly to monitor the overall operation of the DC Section of the Scheme, including:

- Reviewing the performance of the investment fund range and the underlying investment managers, discussing new developments with their professional advisers and, as needed, agreeing changes to the investment options offered by the Scheme.
- Review the administration service provided to members of the DC Section.
- Ensuring that the Scheme maintains robust risk management processes and internal controls.
- Ensuring compliance with all statutory requirements, including arranging an annual Independent Audit and production of the Annual Report and Accounts.

The Trustee receives substantial support from the company and its appointed professional advisers to deal with any issues and ensure the continued ongoing development and smooth running of the Scheme.

What did we do in the year to 5 April 2023?

During the year the ASC and the Trustee Board each held four formal quarterly meetings. In addition, the ASC also dealt with any urgent issues by email or additional conference call meetings.

At all of these meetings, key issues were discussed and progressed with the Trustee's appointed advisers and representatives of the Company. Further information regarding the key actions undertaken by the ASC and the Trustee during the year is provided within the various sections of this statement.

Section 2: Improving Trustee's knowledge and understanding

What are the Trustee's responsibilities?

The Scheme is operated by a corporate Trustee, which must ensure that its directors have appropriate knowledge and understanding to fulfil their role as Trustee Directors.

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustee is required to maintain an appropriate level of knowledge and understanding of pension-related legislation and best practice requirements. This, together with the professional advice available to the Trustee, enables it to properly carry out its duties in relation to the Scheme.

How does the Trustee meet these requirements?

The Trustee has a rigorous process for developing and maintaining the knowledge and understanding (TKU) of its Trustee Directors. The following points cover the Trustee's ongoing approach to meeting the TKU requirements.

- The training needs of new Trustee Directors are assessed, and they are given appropriate training in the first 6 months of their appointment, including on the law relating to pensions and trusts and relevant principles relating to funding and investment of occupational schemes.
- Refresher training is provided where appropriate so that all Trustee Directors have sufficient knowledge and understanding of the relevant pensions, trust laws and principles relating to the investment of pension assets.
- All Trustee Directors are required to complete the Pensions Regulator's Trustee Toolkit.
- The Trustee obtains appropriate advice and training on the Scheme documents, including ensuring that all Trustee Directors have a working knowledge of the Trust Deed and Rules, the Statement of Investment Principles and all other documents setting out the Trustee's policies. In addition, when dealing with benefit queries that require legal advice, the Scheme's advisers will refer the Trustee to the specific Scheme Rules, to ensure it is clear on the interpretation of the Scheme's governing documentation.
- The Trustee's legal advisers provide training and input on legal considerations and update the Trustee Directors on new legal issues.
- All Scheme documents and policies are reviewed regularly in accordance with the Trustee's ongoing Business Plan and updated if required. A number of key Scheme documents are available to members on the dedicated website: <https://gknpensions.co.uk/index.html>.
- The Trustee has a standing agenda item at every meeting to consider the individual and group training requirements of its Directors. Any topics identified are recorded and a training session arranged for a future Trustee meeting.
- Regular specific training from professional advisers on the latest current issues and legislation, regulatory and best-practice requirements is incorporated into appropriate Trustee meetings, along with extensive reading materials from the Scheme's professional advisers.
- All Trustee training carried out at Trustee meetings is recorded via the Scheme's training log. Individual Trustee Directors maintain their own log of any additional training undertaken outside of meetings.

The Trustee also receives professional advice to support it in reviewing the performance of the Scheme and governing it in line with Trust Deed and Rules and other formal documentation. If there are any ambiguities or questions over the interpretation of the Rules or legislative requirements, the Trustee always obtains legal advice.

Overall, the Trustee and its advisers are satisfied, given the advice received and the extensive combined experience of the individual Trustee Directors, that the Trustee exceeds the required regulatory standards, and is compliant with the Pensions Regulator’s DC Code of Practice No. 13 (July 2016) and the Code of Practice No. 7 on Trustee Knowledge and Understanding, enabling it to properly exercise its function as Trustee of the Scheme.

What did we do in the year to 5 April 2023?

During in the year to 5 April 2023:

- There were no changes to the Trustee Directors during the Scheme year to 5 April.
- The Trustee undertook specific reviews of the following Scheme documentation:
 - Implementation Statement
 - Chair Statement
 - Risk Register
- The Trustee is reviewing the training requirements of the Trustee Directors in order to implement an updated training plan for 2023 and beyond based on the future requirements of the Scheme.
- In addition to receiving updates on current issues at all Trustee meetings, specific training was undertaken on a number of important issues, including the following:

Training Topic	Delivered by	Date
ESG Investments	Aon Hewitt	9 May 2022
Task Force on Climate Related Financial Disclosures	Jennifer O’Neill	29 June 2022
Superfunds	John Hemsley and Pinsent Masons	20 July 2022
Actuarial Factors	John Hemsley	8 December 2022

Section 3 - Managing the Scheme's investment options & reviewing the Default Arrangements

What are the Trustee's responsibilities?

The Trustee is responsible for setting the Scheme's investment strategy and for appointing investment managers to deliver appropriate investment options for members to select. This includes offering one or more Default Arrangements for those members who do not wish to select their own investment options.

The Trustee is required to review the Scheme's Default Arrangements at least every three years to ensure that they remain appropriate, taking into account the profile and likely requirements of the Scheme's membership as a whole. The Trustee is also required to monitor the performance and ongoing return expectations of the Default Arrangements on a regular basis, to ensure that they continue to meet their objectives.

Finally, the Trustee is also required to monitor and regularly review the additional Self-Select investment options offered by the Scheme, making changes as necessary, to ensure that they continue to meet the varied and evolving requirements of members who wish to select their own investment options.

How does the Trustee meet the requirements for the default arrangements?

The Trustee completed a two-step review of the default arrangements in September and November 2022, and the agreed changes were implemented in March 2023. The Trustee carried out this review with support and advice from its appointed Investment Adviser. In particular:

- The Trustee carried out demographic analysis of the membership including age profile, contribution profile, fund size distribution and investment choices;
- The Trustee reviewed the suitability of the Scheme's default arrangement, in the context of projected member outcomes arising from the strategy, and an appropriate risk/return profile within the strategy;
- The review led the Trustee to implement the following changes:
 - Within the GKN Growth Fund, the LGIM Future World Fund was replaced with the LGIM Future World Global Equity Index Fund (GBP Hedged)
 - Within the GKN Diversified Fund, the Columbia Threadneedle Dynamic Real Return Fund was replaced with the LGIM Diversified Fund
- The Trustee concluded it remains appropriate to target income drawdown as a retirement income decision within the strategy.

The default arrangement for members of the DC Section only

Since January 2020 the Scheme's default arrangement for members who only have DC Section investments, including all new joiners, is the 'GKN Drawdown Lifestyle', designed for members moving their savings into income drawdown when they reach retirement.

As a member's fund value grows, investment risk will have a greater impact on their retirement outcome, so the Trustee believes that a default strategy that seeks to reduce investment risk as the member approaches retirement is appropriate. This is achieved via automated lifestyle switches, designed to reduce investment risk over the 15 year period before a member's Selected Retirement Date, so that when the member reaches retirement their savings are in their final asset allocation, based on how they are likely to take their benefits. The switching process is designed as follows:

- For members who are more than 15 years from their Selected Retirement Date, this strategy's growth phase invests in the GKN Growth Fund, which in turn aims to grow the members' savings by investing in global equities, including an allocation with a tilt towards companies with more favourable Environmental, Social and Governance ("ESG") characteristics.
- When a member is within 15 years of their Selected Retirement Date, their savings are gradually switched into the GKN Diversified Fund; this switching takes place gradually over 5 years until the member is 10 years from retirement. The GKN Diversified Fund aims to continue to grow members' savings, but also incorporates increased diversification and some risk reducing assets in order to reduce exposure to investment market volatility.
- When a member is 5 years from their Selected Retirement Date, their investments begin a further period of switching, gradually moving some of their savings into the GKN Cash Fund. By the time the member retires, the intention is that 25% of their savings will be invested in the GKN Cash Fund, in order to minimise the impact that investment market volatility might have on the amount that the member can take as a tax free cash sum. The remaining 75% of their savings remains invested in the GKN Diversified Fund.

This strategy is primarily designed for members who draw 25% of their assets as cash and transfer the remaining savings into an income drawdown policy.

The default arrangement for members with past DB service

The Scheme's lifestyle options progressively and automatically switch members from higher risk/higher expected return funds to lower risk/lower expected return funds as the member approaches their selected retirement date. Three default investment strategies are in place for members with past DB service, catering for differing needs and likely benefit choices. Each default strategy utilises one of the Scheme's lifestyle options, as follows:

- **Drawdown Lifestyle** – This investment option is designed for members who wish to keep their retirement savings invested and draw down a regular income after retirement. **This is the default arrangement for members who are expected to have a large DC fund at retirement after taking their tax-free cash. These members have a small amount of past DB service relative to their years to Selected Retirement Date.**
- **Partial Drawdown Lifestyle** – This investment option is designed for members who intend to withdraw the majority of their savings as cash upon retirement, with any remainder continuing to be invested to allow income drawdown. **This is the default arrangement for members who are expected to have a small DC fund at retirement after taking their tax-free cash. These members have a moderate amount of past DB service relative to their years to Selected Retirement Date.**
- **Cash Lifestyle** – This investment option is designed for members who intend to withdraw their entire savings as cash. This strategy is 100% invested in the GKN Cash Fund at retirement. **This is the default arrangement for members who are expected to use their whole DC fund at retirement to fund their tax-free cash. These members have a significant amount of past DB service relative to their years to Selected Retirement Date.**

The switching process for the Drawdown Lifestyle is as described for the default investment arrangement for members of the DC Section only section above. The switching process for the Partial Drawdown Lifestyle and the Cash Lifestyle is identical to the Drawdown Lifestyle until a member reaches 5 years from their Selected Retirement Date, when the switching changes as follows:

- **The Partial Drawdown Lifestyle** begins a further period of switching so that, at retirement, 62.5% of a member's savings will be invested in the GKN Cash Fund. This is to minimise the impact that investment market volatility might have on the expected amount that the member can take as a tax free cash sum when combined with their DB Section benefits. The remaining 37.5% of their savings remains invested in the GKN Diversified Fund.
- **The Cash Lifestyle** begins a further period of switching so that, at retirement, 100% of a member's savings will be invested in the GKN Cash Fund, in order to minimise the impact that investment market volatility might have on the amount that the member can take as a tax free cash sum, when combined with their DB Section benefits.

All three Lifestyle Options share the same overall aims, to generate positive nominal long-term returns in excess of inflation over the long term during the growth phase of each Lifestyle strategy, while managing downside risk for members within 15 years of their expected retirement.

How does the Trustee meet the requirements for the self-select fund range?

In addition to operating default arrangements, the Trustee believes, having taken expert advice, it is appropriate to offer a range of fund options via Legal & General in which members can invest. These funds provide a different balance between risk and reward, including actively and passively managed funds covering various asset classes and regions.

Monitoring the investment managers, performance and strategies

The Scheme's investments, including all of the default arrangements, are monitored and reviewed by the Trustee's Administration Sub-Committee ('ASC'). The Trustee Directors on the ASC have sufficient knowledge and relevant understanding to provide sound and prudent oversight of the investment strategy. They also have the required investment and risk management expertise to critically evaluate and oversee associated risks. In addition:

- The ASC monitors the performance of the default arrangements, the funds underlying the default arrangements and all of the additional self-select funds made available to members on a quarterly basis.
- The Trustee's investment advisers provided regular updates and ratings of the investment managers that manage the Scheme's investment options.
- The Trustee may decide to replace self-select fund options or the underlying investment managers for any fund option, if it feels that it is appropriate or to introduce attractive new options. Members are notified of any changes made to the investment managers.
- The Trustee regularly undertakes an assessment of their training needs and members of the ASC receive ongoing and frequent training from their professional advisers on investment principles, strategies and risks, which is recorded in a formal training log.

What did we do in the year to 5 April 2023?

The Trustee last reviewed the self-select fund range in September and November 2022.

The self-select investment options were introduced in 2019, following investment advice received by the Trustee and an assessment of members' potential needs. In the 2022 review the self-select investment options were reviewed and the Trustee agreed the current range of fund options remain suitable for the Scheme's membership.

The ASC has reviewed the performance of default arrangements and the self-select fund range at each of their quarterly meetings during the scheme year. In 2023, they also considered investment performance as part of their annual review of the value for money offered by the Scheme (see Section 8). This included analysis of fund performance and market

outlook to check that the risk and return levels met expectations. The Trustee concluded that most funds have met their long-term objectives and continue to be rated highly by the Trustee's professional investment adviser.

The Scheme continues to comply with the Regulations on charge controls introduced from April 2015. Specifically, the Trustee is pleased to confirm that the funds used in all of the Scheme's default investment options have combined total expense ratios that are below the charge cap of 0.75% p.a. of savings.

Section 4 - Statement of Investment Principles

What are the Trustee's responsibilities?

The Trustee is required to include within this statement, a copy of the latest Statement of Investment Principles (the 'SIP') prepared for the Scheme in compliance with Section 35 of the Pensions Act 1995 and regulation 2/regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005.

The SIP covers the following key matters in relation to the Default Arrangements:

- The Trustee's aims and objectives in relation to the investments held in the Default Arrangements.
- The Trustee's policies on issues such as: the kinds of investments to be held; the balance between different kinds of investments; risks, including the ways in which risks are to be measured and managed; the expected return on investments; the realisation of investments; and the extent (as appropriate) to which social, environmental or ethical considerations are considered when selecting, retaining or realising investments.
- An explanation of how these aims, objectives and policies (which together form a part of the Trustee's 'default investment strategy') are intended to ensure that assets are invested in the best interests of members.

The Trustee reviews the SIP at least triennially or more often if changes are required.

What did we do in the year to 5 April 2023?

A copy of the current SIP is set out in Appendix 5. After the Scheme year-end date, the SIP has been updated, effective September 2023, to incorporate the investment strategy changes recently implemented, as previously outlined in this statement.

The Trustee also publishes an Implementation Statement each year, describing how it has ensured that the policies and objectives set out in the SIP were adhered to over the course of the year. A copy of the latest Implementation Statement can be found on at <https://gknpensions.co.uk/newsletter-and-statements.html>.

Section 5 - Charges & transaction costs

What are the Trustee's responsibilities?

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 require the Trustee to obtain and publish annually the level of costs and charges that apply to:

- Each Default Arrangement during the Scheme year.
- Each fund option in which members' savings have been invested during the Scheme year.

These requirements are intended to ensure transparency on the costs that members pay from their retirement savings.

Charges include the Annual Management Charge (AMC), the annual fee charged by the investment manager for investing in a fund. Additional expenses such as trading fees or legal fees are included in the Total Expense Ratio (TER), which is the total cost of investing in a fund.

Any relevant charges are deducted as a percentage of a member's funds.

Transaction costs are incurred within the day-to-day management of the assets by the fund manager. This covers such things as the cost of buying and selling investments within a fund.

Transaction costs can be incurred as part of the process of buying and selling any investment and are implicit within the performance of a fund. The prescribed method of calculating transaction costs states the trading cost is arrived at by comparing the price at which the transaction was actually executed with the price when the order to transact entered the market. So, when selling into a rising market or buying into a falling market, the calculation produces a credit that may outweigh the other 'explicit' transaction costs, resulting in negative overall transaction costs.

The Trustee is also required to assess annually the extent to which these charges and costs represent good value for members. See '**Value for Members**' in Section 8.

The Trustee has taken account of statutory guidance when producing this section and the related appendices.

How does the Trustee meet the requirements?

The Trustee formally reviews the charges paid by members on an annual basis and, through the ASC, works closely with the Scheme's investment provider to obtain the lowest possible charges for all of the available fund options.

What did we do in the year to 5 April 2023?

Charges and transaction costs - Default Arrangements

The level of charges and transaction costs applicable to each component fund within the Default Arrangements during in the year to 5 April 2023 are as shown in Appendix 1, expressed as a percentage of a members' fund holdings. These charges and transaction costs were supplied by Legal & General, the Scheme's investment platform provider. There is no missing transaction cost data. These are the only costs incurred by members of the Scheme. All of the Default Arrangements remain within the Government's charge cap of 0.75% p.a.

Charges and transaction costs – self-select fund range

The level of charges and transaction costs that applied as at 5 April 2023 to the self-select fund range in which members have chosen to invest are shown in Appendix 2 along with further details on the funds used within each of the Lifestyle options.

Section 6 - Charges and transaction costs - illustrations

What are the Trustee's responsibilities?

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 also require the Trustee to produce illustrations of the cumulative effect over time of the transaction costs and charges that apply to the fund options offered by the Scheme. This is to improve transparency and help members understand the impact that charges and transaction costs might have on their own savings.

Charges and transaction cost illustrations - in the year to 5 April 2023

The Trustee has taken account of the applicable statutory guidance and has produced illustrations to demonstrate the effect of the costs and charges for the investment funds and strategies offered by the Scheme for two different example deferred members.

The illustrations in Appendix 3 show, based on a number of assumptions and investment options, the projected fund values at retirement before and after charges and transaction costs have been deducted, so that the potential impact of these costs is clearly shown.

Please note that the figures in Appendix 3 are only illustrations and the actual fund values and impact of charges on members' investments will be different, depending on their personal details and investment choices, and whether or not the assumptions are borne out. The information contained in Appendix 3 is not a substitute for the individual and personalised illustrations provided to members each year within the annual benefit statements provided by Legal & General.

Section 7 - Net investment returns

What is required?

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations in the year to 5 April 2022 introduced new requirements on the Trustee to calculate and publish the return on investments of the Scheme's Default Arrangements and those Self-Select investment options in which members have invested, after taking account of transaction costs and charges.

Net investment return disclosures - in the year to 5 April 2023

Appendix 4 provides the net investment disclosures as at 31 March 2023 (the closest available to the Scheme year end), showing the investment performance of the Scheme's Default Arrangement and alternative Self-Select investment options, after adjustment for all charges and transaction costs discussed in Sections 5 and 6. The Trustee has taken account of the statutory guidance when preparing these disclosures.

Most of the funds offered by the Scheme through the Legal & General Platform, including the Default Arrangements, demonstrated net investment returns (after the deduction of costs and charges) over 1 and 5 years in line with or above their respective performance benchmarks. 5 years performance is not available for some funds, therefore the returns shown are since inception with inception date taken as 30 September 2019 for performance purposes.

Section 8 - Value for members

What are the Trustee's responsibilities?

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 require that the Trustee conducts an annual review of the value for money that members receive from the Scheme and disclose the results of this review in this statement. If it is identified that members are not receiving good value, the Trustee is required to investigate and identify what steps can be taken to improve the position for the affected members.

How does the Trustee meet the requirements?

The Trustee is committed to ensuring that members receive value for money from the Scheme, meaning that all of the services and features that members receive, compared to the charges deducted from their savings, should represent good value.

Scheme members meet the charges and costs for the administration, communications and investment services provided to run their account, which are deducted from their savings in the scheme. The charges and transaction costs, along with illustrations of the impact of these costs on members' savings at retirement, are discussed earlier in this statement.

The costs associated with the Trustee's ongoing governance of the Scheme, including all professional adviser fees, are met by the sponsoring employers.

Each year, the Trustee, with its advisers, carries out a formal assessment of the charges paid by members and the services that they receive, compared to other similar pension arrangements. The assessment considers the value provided by the Scheme's investment options and the broader value of the additional services provided, including administration, communications and online services. The value added by the ongoing governance of the Trustee is also considered. These assessments are undertaken in line with the Department of Work and Pensions (DWP) guidance and the Regulator's DC Code of Practice.

The review process considers all of the following factors:

- The investment performance of the Scheme's fund options.
- Whether the Lifestyle options and range of Self-select funds remain appropriate.
- Benchmarking the Scheme charges against other pension schemes of a similar size and nature and the transaction costs against relevant asset class comparators.
- The performance of the administration service, covering the service standards achieved, data quality and interactions with members.
- The quality of the communication and online services provided to members by the Trustee and pension provider.
- The governance and management of the Scheme.

Value for Members Assessment – Year ending 5 April 2023

The Trustee has carried out an assessment of the value offered to members by the Scheme. The assessment covered the year to 5 April 2023 and the Trustee concluded that:

- Overall, charges are competitive relative to comparable funds available for DC investment.
- Most funds have met long term objectives, with the majority of the funds remaining highly rated. Performance net of charges is in line with expectations and has provided good value. The Trustee noted performance has been impacted by challenging market conditions during 2022; as part of its assessment, it considered performance of the actively managed component of the default arrangement against peer group funds, as well as against the fund's long term benchmark.
- Additional value is provided through the ongoing governance of the Scheme, including comprehensive risk management, communications and engagement processes. The Scheme offers a broad range of online tools and support, timely communications and administration response times, which were largely within agreed SLAs over the Scheme year.
- Overall, the Trustee has concluded the Scheme continues to offer good value to members.

Section 9 - Monitoring and processing of core financial transactions

What are the Trustee's responsibilities?

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 requires that a pension scheme's core financial transactions are processed promptly and accurately. These transactions include, but are not limited to:

- Investment of contributions in respect of active members
- Transfer of member assets into or out of the Scheme.
- Switching between different investments within the Scheme.
- Payments to and in respect of members, for example on retirement or death.

The Trustee is required to monitor these activities and take action where there are systematic process delays or inaccuracies.

How does the Trustee meet the requirements?

Active member contributions

The company is responsible for ensuring that contributions in respect of active members are paid to the Scheme promptly. The Trustee relies on the company to ensure contribution payments are accurate by carrying out appropriate checks. The timing of these payments and their subsequent investment is monitored by the Trustee through quarterly reports produced by the Scheme's Administrator.

Administration arrangements

The Trustee outsources the administration of the Scheme and the operation of the Scheme's bank account to Legal & General, a professional administration provider, which carries out the bulk of the core financial transactions undertaken by the Scheme.

Data quality

The Trustee monitors the accuracy of the Scheme's common data on a regular basis, the results of which are reported annually to the Pension Regulator.

Reasons for any decline in common data quality are considered, alongside the remedial measures available to the Trustee. The Trustee requires updates on any agreed remedial measures to ensure they have been satisfactorily implemented.

Internal controls

The Trustee believes that strong and well documented internal controls are a key element in delivering high quality, risk managed services to members.

The Trustee operates a system of internal controls aimed at monitoring the Scheme's administration and management and have a Risk Register in place which outlines the main risks to the Scheme including operational and financial risks to the members. The Risk Register is reviewed and updated on a regular basis.

Core financial transactions – accuracy and timely processing in the year to 5 April 2023

Legal & General administration services

Legal & General carried out monthly checks on the accuracy and timeliness of processing transactions.

Performance during the Scheme year against SLA targets was c.92.2%. Looking at only Core Financial Transactions, Legal & General's performance against their SLA targets for core financial transactions was 100.0%, above the standard expected by the Trustee. The Trustee has received regular updates from Legal & General on their service delivery and consider the overall administration performance has been of a high standard over the year.

Overall the Trustee is broadly satisfied that the Scheme's core financial transactions were processed accurately and within acceptable timescales during the period to which the Statement relates.

The Trustee continues to closely monitor the administration service provided by Legal & General.

Chair's declaration

This statement has been prepared in accordance with the Regulations and I confirm that the above statement has been produced by the Trustee to the best of my knowledge.

A McKinnon – Chair

Signed on behalf of GKN 4 Trustee 2018 Limited,
Trustee of the GKN Group Pension Scheme (No.4)

Date

Appendix 1 – Charges and transaction costs

Default Arrangements and Technical Default Arrangement

The table below illustrates the charges and transaction costs applicable to each component fund within the three Default Arrangements and the Technical Default Arrangement offered by the Scheme. Please note that the allocation of a member's savings between the component funds within the Lifestyle strategies will change as they approach their target retirement date. For more information on the investment options offered by the Scheme, please log into your online account with Legal & General, which you can access via the GKN Pensions Website at gknpensions.co.uk.

Default Arrangements	Component funds	Total Expense Ratio* (TER) (%)	Total transaction costs** (%)
Lifestyle	GKN Growth Fund	0.23	0.100
	GKN Diversified Fund	0.38	0.114
	GKN Cash Fund	0.19	-0.039

The table below illustrates the charges and transaction costs applicable to each component fund within the alternatives Lifestyle options.

Alternative Lifestyle option	Component funds	Total Expense Ratio* (TER) (%)	Total transaction costs** (%)
Partial Drawdown Lifestyle	GKN Growth Fund	0.23	0.100
	GKN Diversified Fund	0.38	0.114
	GKN Cash Fund	0.19	-0.039
Cash Lifestyle	GKN Growth Fund	0.23	0.100
	GKN Diversified Fund	0.38	0.114
	GKN Cash Fund	0.19	-0.039

The following notes apply to all of the above tables:

* Total Expense Ratio (TER) is the total cost of investing in the fund. It is automatically deducted from the price of the funds in which you are invested. The TER includes the annual management charge for that fund and any other additional fund expenses such as legal fees, auditor fees and other operational expenses. The TERs are correct as at 31 March 2023.

** Transaction costs are costs incurred in the day-to-day management of the assets by the fund manager. This covers such things as the cost of buying and selling securities within a fund. Transaction costs are incurred on an on-going basis, are included within the overall performance of the fund and are in addition to the Total Earnings Ratio (TER) figures provided. The transaction costs reflect the latest information provided to L&G by the fund managers as at 31 March 2023. Any negative transaction costs shown indicate that transacting has resulted in a net gain rather than a net loss for the fund over the period. The Trustees do not expect gains of this type to be repeated in future years.

Appendix 2 – Charge and transaction costs

Self-Select fund range

The level of charges and transaction costs applied to the non-default arrangement options on the Legal & General platform can be seen in the table below. For more information on the investment options offered by the Scheme, please log onto your online account.

Self-select options	Total Expense Ratio* (TER) (%)	Total transaction costs** (%)
L&G Future World Fund	0.32	0.102
L&G UK Equity Index Fund†	0.18	0.029
L&G World ex-UK Equity Index Fund†	0.20	0.065
L&G World Emerging Markets Equity Index Fund	0.33	0.045
L&G HSBC Islamic Global Equity Index Fund	0.43	-0.029
L&G AAA-AA-A Corporate Bond All Stocks Index Fund†	0.20	-0.028
L&G All Stocks Gilts Index Fund†	0.16	0.148
L&G Threadneedle Dynamic Real Return Fund††	0.63	0.221
L&G Property Fund†	1.36	-0.399
L&G High Income Fund†	0.38	0.121

Notes:

* Total Expense Ratio (TER) is the total cost of investing in the fund. It is automatically deducted from the price of the funds in which you are invested. The TER includes the annual management charge for that fund and any other additional fund expenses such as legal fees, auditor fees and other operational expenses. The TERs are correct as at 31 March 2023.

** Transaction costs are costs incurred in the day-to-day management of the assets by the fund manager. This covers things such as the cost of buying and selling securities within a fund. Transaction costs are incurred on an on-going basis, are included within the overall performance of the fund and are in addition to the Total Earnings Ratio (TER) figures provided. The transaction costs reflect the latest information provided to L&G by the fund managers as at 31 March 2023. Any negative transaction costs shown indicate that transacting has resulted in a net gain rather than a net loss for the fund over the period. The Trustees do not expect gains of this type to be repeated in future years.

† This fund is a component of the Scheme's Default Arrangements.

†† This fund was a component of the Scheme's Default Arrangements until 27 March 2023.

Appendix 3 – Charges and transaction costs - illustrations

The table on the next page illustrates the effect of the costs and charges in Appendix 1 and 2 for investment funds and strategies available through Legal & General, for two example deferred members with different terms to retirement and accumulated fund values.

The four example members have been selected to illustrate the possible impact of costs and charges on the accumulated fund values of a range of different Scheme members:

- **Typical Deferred Member:** Deferred member making no further contributions, starting fund value: £9,260, member retires after 20 years based on a retirement age of 65.
- **Youngest Deferred Member:** Deferred member making no further contributions, starting fund value: £3,200, member retires after 39 years based on a retirement age of 65.

The illustrations show the projected fund values (rounded to the nearest £100) based on certain assumptions before and after the charges so that the potential impact of charges is clearly shown. We have shown the most popular investment options in terms of number of members invested: the GKN Drawdown Lifestyle Strategy, GKN Partial Drawdown Lifestyle Strategy and GKN Cash Lifestyle Strategy.

In addition, illustrations have been included for two Self-Select funds: L&G Property Fund and L&G All Stocks Gilts Index Fund. These funds have been selected both to demonstrate the effect of a fund with a higher charges and costs (L&G Property Fund) compared to one with lower charges and costs (L&G UK Equity Index Fund) and also to demonstrate the impact of differing long term return assumptions for different asset classes.

Typical Deferred Member (Age 45)

Fund value at end of year	Most popular: GKN Drawdown Lifestyle Strategy		Partial Drawdown Lifestyle Strategy		Cash Lifestyle Strategy		Highest cost fund: L&G Property Fund		Lowest cost fund: L&G All Stocks Gilts Index Fund	
	Fund with no Charges Incurred	Fund with Charges Incurred	Fund with no Charges Incurred	Fund with Charges Incurred	Fund with no Charges Incurred	Fund with Charges Incurred	Fund with no Charges Incurred	Fund with Charges Incurred	Fund with no Charges Incurred	Fund with Charges Incurred
1	£9,700	£9,700	£9,700	£9,700	£9,700	£9,700	£9,600	£9,500	£9,300	£9,300
3	£10,600	£10,500	£10,600	£10,500	£10,600	£10,500	£10,400	£10,000	£9,500	£9,400
5	£11,600	£11,400	£11,600	£11,400	£11,600	£11,400	£11,200	£10,500	£9,600	£9,500
10	£14,100	£13,700	£14,100	£13,700	£14,100	£13,700	£13,600	£11,900	£9,900	£9,700
20	£19,700	£18,400	£19,200	£18,000	£18,700	£17,500	£19,900	£15,200	£10,600	£10,200

Youngest Deferred Member (Age 26)

Fund value at end of year	Most popular: GKN Drawdown Lifestyle Strategy		Partial Drawdown Lifestyle Strategy		Cash Lifestyle Strategy		Highest cost fund: L&G Property Fund		Lowest cost fund: L&G All Stocks Gilts Index Fund	
	Fund with no Charges Incurred	Fund with Charges Incurred	Fund with no Charges Incurred	Fund with Charges Incurred	Fund with no Charges Incurred	Fund with Charges Incurred	Fund with no Charges Incurred	Fund with Charges Incurred	Fund with no Charges Incurred	Fund with Charges Incurred
1	£3,300	£3,300	£3,300	£3,300	£3,300	£3,300	£3,300	£3,300	£3,200	£3,200
3	£3,700	£3,600	£3,700	£3,600	£3,700	£3,600	£3,600	£3,400	£3,300	£3,200
5	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000	£3,900	£3,600	£3,300	£3,300
10	£5,000	£4,900	£5,000	£4,900	£5,000	£4,900	£4,700	£4,100	£3,400	£3,400
20	£7,800	£7,400	£7,800	£7,400	£7,800	£7,400	£6,900	£5,200	£3,700	£3,500
30	£11,900	£10,900	£11,900	£10,900	£11,900	£10,900	£10,100	£6,700	£3,900	£3,700
39	£15,900	£14,100	£15,500	£13,800	£15,200	£13,500	£14,200	£8,400	£4,200	£3,800

Members should be aware that these are simply illustrations, so the actual fund values and implication of charges for members' investments may be different if members' personal details or investment choices differ from those shown or the assumptions are not borne out. Due to the effect of rounding, the impact of charges on member Retirement Account values may appear uneven, particularly in the early years. The information contained here is not a substitute for the individual and personalised illustrations provided to members each year by the Scheme.

Notes and assumptions

- The projected Retirement Account values are shown in today's terms and are calculated using the same assumptions as the SMPI benefit projections issued annually to members.
- Annual investment returns and costs/charges as a percentage reduction are assumed to be deducted at the end of each year. Charges and costs are deducted before the application of investment returns.
- Switching costs are not considered in the lifestyle strategy.
- Values shown are estimates and not guaranteed.
- The projected growth rates (before inflation) for each fund are as follow:
 - GKN Drawdown Lifestyle Strategy - from 3.3% p.a. to 3.6% p.a. (adjusted depending on term to retirement).
 - GKN Partial Drawdown Lifestyle Strategy - from 3.1% p.a. to 3.5% p.a. (adjusted depending on term to retirement).
 - GKN Cash Lifestyle Strategy - from 2.9% p.a. to 3.3% p.a. (adjusted depending on term to retirement).
 - L&G Property Fund – 3.9% p.a.
 - L&G All Stocks Gilts Index Fund – 0.7% p.a.
- Price inflation is assumed to be 2.5% each year and is deducted from the above returns as part of the calculations.
- The Regulations require that where possible the transaction costs assumed in these illustrations are based on an average of the previous five years' transaction costs for each fund, where available. As LGIM is unable to provide historic transaction costs for these funds, the transaction costs shown above are an average of the costs provided for the 4 year periods to 31 of March 2023.

Appendix 4 – Net investment returns

The below tables provide the net investment returns for each of the investment options available under the Scheme to 31 March 2023. The Trustee has taken into account the statutory guidance when providing these investment returns and has not deviated from this.

Lifestyle strategy	Age of member at start of period	Last 12 months (%)	Since inception* (% p.a.)
Drawdown Lifestyle	25	-2.2	7.9
	45	-2.2	7.9
	55	-6.6	1.9
Partial Drawdown Lifestyle	25	-2.2	7.9
	45	-2.2	7.9
	55	-6.6	1.9
Cash Lifestyle	25	-2.2	7.9
	45	-2.2	7.9
	55	-6.6	1.9

Source: LGIM and Mercer estimates.

Performance shown net of all charges and transaction costs.

*Inception date taken as 30 September 2019 for performance purposes.

Self-Select fund range	Last 12 months (%)	Last 5 years (% p.a.)
GKN Growth Fund†	-2.2	0.9*
GKN Diversified Fund†	-6.6	1.7*
GKN Cash Fund†	2.2	0.7*
L&G AAA-AA-A Corporate Bond All Stocks Index Fund	-10.1	-1.1
L&G All Stocks Gilts Index Fund	-16.5	-3.2
L&G Future World Fund	-2.4	9.3
L&G High Income Fund	-8.1	0.1
L&G HSBC Islamic Global Equity Index Fund	-5.9	14.8
L&G Property Fund	-13.9	2.0
L&G Threadneedle Dynamic Real Return Fund	-4.1	2.7
L&G UK Equity Index Fund	2.3	5.2
L&G World Emerging Markets Equity Index Fund	-4.9	2.7
L&G World ex-UK Equity Index Fund	-3.6	11.0

† These funds are components of the Scheme's Default Arrangements.

†† This fund was a component of the Scheme's Default Arrangements until 27 March 2023.

*5 year performance is not available for these funds, therefore the returns shown are since inception. Inception date taken as 30 September 2019 for performance purposes.

Notes:

1. Returns are net of the fund specific charges and factor in the transaction costs incurred by the funds.
2. Age specific returns shown under the lifestyle strategies are based on a member with a target retirement age of 65.
3. The returns have been provided by L&G as at 31 March 2023.
4. The Trustee currently is looking to obtain longer term performance where available from its fund managers and will look to include this in its future Statements.

Appendix 5 – Statement of Investment Principles

Statement of Investment Principles

Defined Contribution Section (“DC Section”) of the GKN Group Pension Scheme 4

September 2023

1 Introduction

- 1.1 This Statement of Investment Principles (“the Statement”) has been prepared by the Trustee of the GKN Group Pension Scheme 4 (“the Scheme”). The Statement sets out the principles governing the Trustee’s decisions about the investment of the Scheme’s defined contribution assets. The Trustee refers to this Statement when making investment decisions, to ensure they are consistent with the principles set out in it.
- 1.2 This Statement has been written to comply with the requirements of the Pensions Act 1995, as amended by the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015; and subsequent legislation.
- 1.3 Before preparing this Statement, the Trustee has consulted with the Company (acting on behalf of all participating employers) and obtained and considered written professional advice from the Scheme’s DC Investment Consultant regarding the DC Section’s investment strategy.
- 1.4 The Scheme’s assets are held in Trust by the Trustee. The Trustee notes that, according to the law, they have ultimate power and responsibility for the investment of the Scheme’s assets and their investment powers are set out in the Scheme’s Trust Deed and Rules, subject to applicable legislation. The Trustee maintains responsibility for some decisions and delegates others.
- 1.5 When determining which decisions to delegate, the Trustee has taken into account whether they have the appropriate training and are able to secure the necessary expert advice in order to take an informed decision. Further, the Trustee’s ability to effectively execute the decisions is also considered.
- 1.6 The Trustee believes that their investment policies and their implementation are in keeping with best practice, including the six principles published by the Investment Governance Group and taking into account the DC Code of Practice.
- 1.7 The Trustee seeks to maintain a good working relationship with the Employer and will discuss any proposed changes to the Statement with the Employer. However, the Trustee’s fiduciary obligations are to the Scheme’s members and will take precedence over the Employer’s wishes.
- 1.8 The Trustee will review this Statement from time to time and at least every three years and without delay if there are changes to the legislative framework or if there are relevant, material changes to

the Scheme and/or Principal Employer. These include material changes in the Scheme's membership profile and finances, changes to regulatory requirements, and in the attitude to risk of the Trustee.

2 Scheme Governance

Division of Responsibilities

2.1 With regard to the DC Section of the Scheme, the duties and responsibilities of the Trustee, their Investment Consultant and Provider are as follows:

- **The Trustee** has retained the following duties and responsibilities in relation to the DC Section:
 - Overall responsibility for the Scheme’s investments.
 - Complying with legislation and regulation.
 - Appointing the Investment Consultant.
 - Deciding upon investment strategy, in consultation with the Investment Consultant.
 - Considering proposed changes, and agreeing final changes to the Statement.
 - Consulting with the Company before amending the Statement.
 - Appointing the Provider and selecting the underlying funds in consultation with the Investment Consultant.
 - Monitoring the Investment Consultant, fund options and Investment Managers.
- **The Investment Consultant’s** duties and responsibilities are to:
 - Advise the Trustee in accordance with the Letter of Engagement in place between the Trustee and Investment Consultant.

The details of the Investment Consultant’s appointment, including the scope of its remit and its fees are set out in a contract entered into between the Trustee and the Investment Consultant.

The Trustee believes that the Investment Consultant meets the requirements of Section 35(5a) of the Pensions Act 1995 and subsequent legislation.

- **The Platform Provider** to the Scheme is Legal & General (the “Provider”). The terms of the Provider’s appointment are contained in the policy of assurance issued by the Provider to the Trustee. The Provider’s responsibilities are also governed by applicable law. Each Investment Manager of the underlying funds made available under the policy of insurance has an Investment Management Agreement (“IMA”) or re-assurance agreement with the Provider.

The Investment Managers’ roles in practice include the responsibility to:

- Manage the portfolios of assets within the investment guidelines, objectives, risk parameters and restrictions set out in the respective agreements but, subject to that, exercising discretion as appropriate when investing the portfolio.
- Have regard to the need for diversification of investments so far as appropriate and to the suitability of investments.
- Appoint custodians for the assets managed in the underlying funds.

- In addition, the Provider will:
 - Exercise the powers of investment with a view to complying with the content of the Statement, so far as reasonably practicable.
 - Provide the Trustee with periodic statements of the assets and cash flows and report on the results of past actions and any changes to the investment process and, where possible, on corporate actions and their future policies in that regard.
 - Inform the Trustee of any changes in the performance objective or guidelines of any underlying funds used by the Scheme as soon as practicable.

2.2 A listing of the Scheme's fund options, including a description of their mandates and benchmarks is set out in Section 5 and Appendix A.

2.3 Given that the Scheme invests in pooled funds, the safekeeping of the underlying assets is undertaken by custodians selected by the fiduciaries of the pooled funds.

3 Investment Policy

Objectives

3.1 The Trustee recognises that Scheme members have differing investment needs and that these may change during the course of members' working lives. The Trustee also recognises that members have different attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances.

3.2 The objectives set out below and the risks and other factors referenced in this Statement are those that the Trustee determines to be financially material considerations. Broader considerations including Environmental, Social and Corporate Governance ("ESG") issues are discussed in Section 11.

3.3 The following encapsulates the Trustee's objectives with regard to the DC Section:

- To make available a range of investment funds that should enable members to tailor their own investment strategy to meet their own individual needs.
- Offer funds which facilitate diversification and long term capital growth (in excess of inflation).
- Offer funds that enable members to reduce risk in their investments as they approach retirement.
- Offer funds which aim to mitigate the impact of sudden and sustained reductions in capital values or rises in the cost of purchasing benefits in retirement.
- To structure the range of funds, provide a suitable number of funds and present this range in a manner which may make it easier for members to make investment decisions.
- To provide a default investment option for members who do not make their own investment decisions.
- To provide general information as to the purpose of each investment option.

- To encourage members to seek impartial guidance and / or financial advice from an appropriate organisation, where required.
- 3.4 The Trustee is responsible for deciding the range of funds to offer to members. In determining what types of funds are offered, the Trustee has taken investment advice regarding the suitability of investment vehicles considering factors such as:
- The asset class (or classes)
 - The level of diversification,
 - The styles of managing assets; and
 - The nature of the investment objectives.
- 3.5 However, the Trustee has no influence over the investment aims of each fund used or how the Investment Managers choose the underlying investments within each fund, as the assets are pooled with many other investors to obtain economies of scale.
- 3.6 Nevertheless, notwithstanding how the assets of each fund are managed, the Trustee regularly obtains professional advice to monitor and review the suitability of the funds provided and from time to time may change the managers or investment options.
- 3.7 The investment choices for the DC Section comprise primarily of equity, property, bonds, diversified growth funds and cash. Both active and passive management options are offered to members depending on asset class.
- 3.8 As previously mentioned, members who do not indicate a preference are invested in the default options, which include lifestyling towards taking their benefits at retirement via income drawdown or cash. More detail on this is provided in Section 6.
- 3.9 The growth phase and consolidation phase of all default options are the same, with the asset allocation only diverging from the start of the five year pre-retirement phase.
- 3.10 The underlying components of the default options are subject to periodic review by the Trustee. The review relates to the appropriateness of the asset classes held within the funds, and also the managers appointed to manage the funds on behalf of the Trustee.
- 3.11 All funds, including those in the default options, are daily-dealt pooled investment arrangements. These pooled investment arrangements are themselves regulated and underlying investments are mainly invested in regulated markets. Where pooled investment arrangements do not invest assets in regulated markets these are not expected to account for a material proportion of assets. Therefore, assets should be realisable at short notice, based on member and Trustee demand. However, the Investment Managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within the parameters stipulated in the relevant appointment documentation and pooled fund prospectuses.

Risks

- 3.12 The Trustee recognises that all forms of investment carry some degree of risk. The Trustee has considered these risks when setting the Investment Strategy and ultimately the choice of funds made available to members as detailed in the following section.
- 3.13 The Trustee has considered risk from a number of perspectives. These are:

- *Benefit adequacy risk.* The investment returns over a member's working life may not secure adequate benefits at retirement.
- *Risk of capital loss in nominal terms.* The protection of capital, in the approach to retirement, in supporting the provision of benefits to be funded from the members' individual accounts.
- *Risk of erosion by inflation.* If investment returns lag inflation over the period of membership, the real (i.e. post inflation) value of the members' individual accounts will decrease.
- *Market risk.* The value of securities, including equities and interest bearing assets, can go down as well as up. Members may not get back the amount invested. However, the Trustee realises that this risk is implicit in trying to generate returns above that earned by cash and accept this by investing in assets other than cash.
- *Manager risk.* The performance of the investment vehicles used falls short of the Trustee's expectations and the funds' benchmarks. This will lead to lower than expected returns to members. The Trustee recognises that the use of active investment management involves such a risk.
- *Liquidity risk.* This refers to the risk of members not being able to realise their investments. The Trustee has invested in unitised pooled funds which are daily dealt to facilitate the availability of assets to meet benefit outflows.
- *Default risk.* The value of interest bearing securities would be at risk if a bond issuer or licensed deposit taker defaults on their commitments.
- *Conversion risk.* The costs of converting a member's accumulated defined contribution account into benefits at retirement is influenced by a number of factors such as future investment growth, price volatility, long-term interest rates and life expectancy.
- *Mismatch risk.* The risk that members are invested in funds/an investment strategy that is not in line with the way they intend to take benefits at retirement.
- *ESG risk.* The Trustee recognises that environmental, social and corporate governance concerns, including climate change, have a financially material impact on return. Section 11 sets out how these risks are managed.

3.14 *Active and passive management*

- The Trustee recognises that passively managed funds are subject to market risk whereas actively managed funds are subject to both market and manager risk. The Trustee has decided to use actively managed funds where they offer the greatest opportunities for adding value.

4 **Investment Platform**

- 4.1 The funds used by the DC Section of the Scheme are accessed through an investment platform operated by the Provider through a bundled arrangement (details are set out in Section 5).
- 4.2 The Trustee considers that this approach is an appropriate arrangement for the DC Section of the Scheme. This route provides access to a range of investment options at competitive charges and reduces the out-of-market risks and transaction costs encountered on switching between investment options.

- 4.3 In considering appropriate investments for the Scheme, the Trustee has obtained and considered the written advice of Mercer, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).
- 4.4 The Trustee will review the continued appropriateness of this approach at least triennially or more frequently if required.

5 Investment Strategy

Range of funds

- 5.1 The Trustee believes, having taken expert advice, that it is appropriate to offer a range of investment funds to allow members to tailor their own investment strategy ("Self Select").
- 5.2 The Trustee has decided to adopt a core range of funds characterised by their asset type with one fund in each of the principal asset types. The purpose of this approach is to simplify the choice presented to members, whilst remaining broadly appropriate to the expected needs of most members.
- 5.3 The Trustee has also decided to offer a selection of additional, more specialist funds for members wishing to more closely tailor their fund choices to their personal circumstances.
- 5.4 The Trustee has decided to offer the following types of funds to members:

- ***Core Funds (passively managed except where shown)***
 - Global Equity
 - Global Equity with ESG focus
 - UK Equity
 - Diversified Growth (multi-asset) (actively managed)
 - Property (actively managed)
 - UK Government Bonds
 - UK Corporate Bonds
 - High Income (actively managed)
 - Cash (actively managed)
- ***Additional Funds (passively managed except where shown)***
 - Islamic Equity
 - Emerging Market Equity
 - Factor-Based Global Equity with climate overlay

Switching

- 5.5 Members are responsible for reviewing their investment choices in the light of their own circumstances.
- 5.6 Members may redirect future contributions or transfer their accumulated account between funds at any time prior to setting up their retirement benefits.
- 5.7 There are no administrative charges for switching, but members may incur transaction costs on selling and buying units.

Lifestyle Investment Options

- 5.8 The Trustee recognises that, while the division between core and additional fund ranges should help members choose funds appropriate to their circumstances, there is likely to be a number of members who would prefer the simplicity of an investment strategy that automatically changes to be suitable at different stages of their working life. The Trustee has therefore decided to include three lifestyle options as part of the investment options.
- 5.9 The lifestyle options progressively and automatically switch members from higher risk/higher expected return funds to lower risk/lower expected return funds as the member approaches their selected retirement date. Three lifestyle strategies are to be offered for members which should broadly meet the needs and reflect the likely benefit choices of the Scheme's membership, as follows:
- Drawdown Lifestyle – this investment option is designed for members who wish to keep their retirement savings invested after retirement and draw down an income in retirement by making regular withdrawals from their pension pot. **It is the default investment option for DC only members, including new joiners, and members who are expected to have a large DC pot at retirement after taking their tax-free cash. These members have a small amount of past DB service relative to their years to Selected Retirement Date.**
 - Partial Drawdown Lifestyle – this investment option is designed for members who intend to withdraw the majority of their savings as cash upon retirement, and who wish to keep the remainder of their retirement savings invested after retirement and achieve an income in retirement by making regular withdrawals from this pot. **It is the default investment option for members who are expected to have a small DC pot at retirement after taking tax-free cash. These members have a moderate amount of past DB service relative to their years to Selected Retirement Date.**
 - Cash Lifestyle – this investment option is designed for members who intend to withdraw their entire savings as cash upon retirement. As such, this strategy is 100% invested in the GKN Cash Fund at retirement. **It is the default investment option for members who are expected to utilise their whole DC pot at retirement to fund their tax-free cash. These members have a significant amount of past DB service relative to their Years to Selected Retirement Date.**
- 5.10 The Trustee is aware that the default lifestyle strategy may not be appropriate for all members because of their varying needs. In addition, lifestyle strategies will not protect members' accumulated accounts from negative financial consequences and may be inappropriately perceived by members as a strategy which will always protect them from financial volatility. The Trustee would therefore encourage members to make their own investment decisions.

- 5.11 The Trustee, having taken appropriate advice, has also decided that automatic switching within the lifestyle options should take place quarterly as a member approaches retirement.
- 5.12 The Trustee believes that these strategies meet the investment objectives and controls the risks identified for the Scheme's membership. The Trustee will review the appropriateness of the lifestyle options from time to time.

Risk Management and Measurement

Type of Risk	Description	How is the risk monitored and managed?
Inflation risk	The risk that the investment return over members' working lives will not keep pace with inflation and do not secure adequate retirement benefits.	The Trustee makes available a range of funds, across various asset classes, with the majority expected to keep pace with inflation.
Currency risk	The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.	Members are able to set their own investment allocations, in line with their risk tolerances.
Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	The Trustee offers lifestyle options that aim to reduce overall investment risk as the member approaches retirement.
Equity, property and other price risk	The risk that investment market movements lead to a substantial reduction in the anticipated level of the benefit.	Within active funds management of many of these market risks is delegated to the investment manager.
Environmental, Social and Corporate Governance risk	The risk that environmental, social or corporate governance concerns, including climate change, have a financially material impact on the return of the Scheme's assets.	The management of ESG related risks is delegated to the Investment Manager, who in turn delegates this to underlying investment managers. See Section 11, below, for the Trustee's responsible investment and corporate governance statement.

Type of Risk Risk	Description	How is the risk monitored and managed?
Investment Manager risk	The risk that the investment manager underperforms its objectives, fails to carry out operational tasks, does not ensure safe-keeping of assets or breaches agreed guidelines.	<p>The Trustee considers fund returns relative to their benchmark and compared to the investment manager's stated target / expected tracking error. The Trustee monitors the performance of the investment vehicles on a regular basis.</p> <p>The management of this risk is the responsibility of the Investment Manager.</p>
Liquidity risk	The risk that the Scheme's assets cannot be realised at short notice in line with member or Trustee demand.	<p>The Scheme is invested in daily dealt and daily priced pooled funds.</p> <p>Where liquidity restrictions are required by the Investment Manager, the Trustee works with their administrator and advisers to ensure the best outcomes for members.</p>
Pension Conversion risk	The risks that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement.	<p>The Trustee makes available three lifestyle options for members.</p> <p>Lifestyle strategies automatically switch member assets into investments whose value is expected to be less volatile relative to how the member wishes to access their pension savings as they approach retirement age.</p>

The above items listed in Section 5 of this Statement are in relation to what the Trustee considers 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

The Trustee has considered these risks when choosing the funds to make available to members. The Trustee believes that the investment strategy for the Scheme is appropriate for mitigating and managing the risks outlined above.

The Trustee pays close regard to the risks that may arise from the lack of diversification of investments. The Trustee believes that the choice of funds in place provide an adequately diversified distribution of assets.

The Trustee recognised that many of these risks are inherent to investing and understands that the above list is not exhaustive.

Investment Restrictions

- 5.13 The Trustee recognises that it is not possible to specify investment restrictions where assets are managed via pooled funds. For the DC Section, it is noted that this is particularly true given that it is Legal & General, the Scheme’s investment platform provider, who has the direct relationship with the third parties offering the funds (and not the Trustee).

Implementation, Realisation of Investments and Engagement Policy

- 5.14 Within the DC Section of the Scheme, the Trustee has contracted with Legal & General to deliver DC investment management services. Legal & General are regulated by the Financial Conduct Authority (the “FCA”).

The pooled investment vehicles are daily-dealt, with assets mainly invested in regulated markets and therefore should be realisable at short notice, based on either Trustee or member demand. The selection, retention and realisation of investments within the pooled investment vehicles is the responsibility of the relevant investment manager.

The below table sets out the Trustee’s approach to implementation and engagement. The list below is not exhaustive, but covers the main areas considered by the Trustee.

Policy statement	Trustee’s Approach
<p>How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee’s policies</p>	<p>The Trustee appoints underlying investment managers based on their capabilities and, therefore the perceived likelihood of achieving the expected return and risk characteristics required. Mercer’s manager research rating reflects Mercer’s forward-looking assessment of a manager’s ability to meet or exceed their objectives.</p> <p>As the Trustee invests in pooled investment vehicles, it accepts that it has no ability to influence investment managers to align their decisions with the Trustee policies set out in this Statement. However, appropriate mandates can be selected to align with the overall investment strategy.</p> <p>The underlying investment managers are aware that their continued appointment is based on their success in delivering the</p>

Policy statement**Trustee's Approach**

How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then it will look to replace the manager.

If the investment objective for a particular manager's fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustee's policies

The Trustee expects investment managers to incorporate the consideration of longer-term factors, such as ESG considerations, into their decision making process where appropriate. The extent to which this is so will be considered during the selection, retention and realisation of manager appointments. Voting and engagement activity should be used by investment managers to discuss the performance of an issuer of debt or equity.

The Trustee's focus is on longer-term performance but shorter-term performance is monitored to ensure any concerns can be identified in a timely manner. The Trustee reviews both absolute and relative performance against a portfolio or underlying investment manager's benchmark on a quarterly basis, including assessments of both shorter and longer time horizons. The remuneration for investment managers used by the Scheme is based on assets under management; the levels of these fees are reviewed annually as part of the annual value for money assessment to ensure they continue to represent value for members. If performance is not satisfactory, the Trustee will ask the fund manager to provide additional rationale, and if not satisfied with this, may request further action be taken, including a review of fees.

The Trustee reviews the absolute performance, relative performance against a suitable benchmark, and against the

Policy statement	Trustee's Approach
	underlying manager's stated target performance (over the relevant time period) on a net of fees basis. Whilst the Trustee's focus is on long-term performance, they also take shorter-term performance into account.
How the Trustee monitors portfolio turnover costs incurred by the asset manager.	Portfolio turnover costs for each of the funds are reviewed on an annual basis as part of the annual value for members assessment. The ability to assess the appropriateness of these costs is limited by the availability of data. The Trustee will monitor industry developments in how to assess these costs and incorporate this in future value for members assessments. Importantly, performance is reviewed net of portfolio turnover costs.
How the Trustee defines and monitors targeted portfolio turnover or turnover range.	The Trustee does not currently define target portfolio turnover ranges for funds.
How the Trustee defines and monitors the duration of the arrangement with the asset manager.	<p>The Trustee is a long term investor, all DC funds are open-ended and therefore there is no set duration for manager appointments.</p> <p>The funds are reviewed on a regular basis, supported by advice from the investment consultants.</p> <p>The Trustee may choose to remove a fund from the fund range, if it is no longer considered appropriate, and the fund range is reviewed on at least a triennial basis.</p>

Compliance with this Statement

- 5.15 The Trustee will monitor compliance with this Statement annually, or immediately after any change in strategy.

Review of this Statement

- 5.16 The Trustee will review this Statement at least once every three years and after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

6 Default Investment Options

6.1 For members who do not wish to take an active role in investment decisions, the Trustee offers three default investment options which should broadly meet the needs and reflect the likely benefit choices of the typical member.

6.2 The aims of the default investment options, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To generate positive nominal long-term returns in excess of inflation during the growth phase of the lifestyle strategy.

The default strategies' growth phase structure invests in equities. These investments are expected to provide growth and some protection against erosion in both real and nominal terms.

- To generate positive nominal long-term returns in excess of inflation during the growth phase of the lifestyle strategy whilst managing downside risk.

The default strategies' consolidation phase structure invests in a diversified growth fund. These investments are expected to provide growth with some downside protection and some protection against erosion in both real and nominal terms. This is achieved via automated lifestyle switches by phasing in the diversified growth fund at 15 years prior to retirement, for a period of 5 years.

- To provide a strategy that reduces investment risk for members as they approach retirement. See Section 5.9 for further details.

6.3 Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the default investment options, the Trustee has explicitly considered the trade-off between risk and expected returns.

6.4 Assets in the default investment options are invested in the best interests of members and beneficiaries, taking into account the profile of members.

6.5 In particular, the Trustee considered detailed membership profiling analysis in order to inform decisions regarding the default investment options. For example, based on this understanding of the DC membership, a default investment option which targets income drawdown is appropriate for DC only members, whereas members with past DB service will be defaulted into one of three strategies depending on their past DB service relative to the number of years until their Selected Retirement Date at the point of allocation. Members are supported by clear communications regarding the aims of each default investment option and the access to alternative approaches. The Trustee will continue to review the default investment options over time, at least triennially, or after significant changes to the Scheme's demographic, if sooner.

Lifestyle Matrices

6.6 Members can only invest in one of the lifestyles or the Self Select option at any one time. The lifestyle strategies all have the same growth and consolidation phases, which are as follows:

Growth phase

6.7 The growth phase invests 100% in the GKN Growth Fund up to 15 years before a member's Selected Retirement Date.

The GKN Growth Fund has the following fund allocation:

- L&G Future World Global Equity Index Fund (GBP Hedged) (see Section 11) – 50%
- L&G UK Equity Index Fund – 5%
- L&G World Ex-UK Equity Index Fund – 45%

Consolidation phase

6.8 The consolidation phase gradually disinvests from the GKN Growth Fund over a period of 5 years, until it invests 100% in the GKN Diversified Fund at 10 years before a member's Selected Retirement Date. It invests 100% in the GKN Diversified Fund up to 5 years before a member's Selected Retirement Date.

The GKN Diversified Fund has the following fund allocation:

- GKN Growth Fund – 30%
- L&G Property Fund – 10%
- L&G All Stocks Gilt Index Fund – 15%
- L&G AAA-AA-A Corporate Bond All Stocks Index Fund – 10%
- L&G High Income Fund – 5%
- L&G Sterling Liquidity Fund – 5%
- L&G Diversified Fund – 25%

The GKN Diversified Fund is phased in with the following proportions:

Years to Retirement	GKN Growth Fund (%)	GKN Diversified Fund (%)
>15	100	0
14	80	20
13	60	40
12	40	60
11	20	80
10 – 5	0	100

Pre-retirement phase

6.9 The pre-retirement phase disinvests differently according to each lifestyle option. All members are defaulted to one lifestyle depending on how much past DB service they have relative to their remaining Selected Retirement Date.

Drawdown Lifestyle

Years to Retirement	GKN Diversified Fund (%)	GKN Cash Fund (%)
5	100	0
4	95	5
3	90	10
2	85	15
1	80	20
0	75	25

Partial Drawdown Lifestyle

Years to Retirement	GKN Diversified Fund (%)	GKN Cash Fund (%)
5	100	0
4	87.5	12.5
3	75.0	25.0
2	62.5	37.5
1	50.0	50.0
0	37.5	62.5

Cash Lifestyle

Years to Retirement	GKN Diversified Fund (%)	GKN Cash Fund (%)
5	100	0
4	80	20
3	60	40
2	40	60
1	20	80
0	0	100

7 Self-Select Options

- 7.1 The Trustee utilises funds made available by Legal & General (the Provider), through their investment platform.
- 7.2 The Trustee has effectively delegated day to day investment decisions to the Investment Managers via the Provider.
- 7.3 The underlying funds chosen by the Trustee to be made available to members are pooled fund vehicles operated by the following Investment Managers:
- Legal & General Investment Management (“LGIM”)
 - HSBC
 - Columbia Threadneedle
- 7.4 The Provider accesses these funds by means of investment management or re-assurance agreements with the managers.

The investment funds used and their Investment Managers are:

Fund category	Underlying Fund names	Fund manager	Active or passive
Global Equity	L&G World (ex UK) Equity Index Fund	L&G	Passive
Factor-Based Global Equity with climate overlay	L&G Future World Fund	L&G	Passive
UK Equity	L&G UK Equity Index Fund	L&G	Passive
Emerging Market Equity	L&G World Emerging Markets Equity Index Fund	L&G	Passive
Islamic Equity	HSBC Islamic Global Equity Index Fund	HSBC	Passive
Diversified Growth	Threadneedle Dynamic Real Return Fund	Columbia Threadneedle	Active
Property	L&G UK Property Fund	L&G	Active
Government Bonds	L&G All Stocks Gilt Index Fund	L&G	Passive
Corporate Bonds	L&G AAA-AA-A Corporate Bond All Stocks Index Fund	L&G	Passive
High Income	L&G High Income Fund	LGIM	Active
Cash	L&G Sterling Liquidity Fund	L&G	Passive

- 7.5 The Trustee is satisfied that the spread of assets by type and the Investment Managers’ policies on investing in individual securities within each type provides adequate diversification of investments for members.
- 7.6 The performance objectives and benchmarks of these funds are described in Appendix A to this Statement.

8 Day-to-Day Management of the Assets

- 8.1 The Trustee delegates the day to day management of the assets to the Provider and the underlying Investment Managers. The Trustee has taken steps to satisfy themselves that the Provider and underlying fund managers have the appropriate knowledge and experience for managing the Scheme's investments and that they are carrying out their work competently.
- 8.2 The Trustee regularly reviews the continuing suitability of the Scheme's investments including the appointed Provider and the funds utilised, and these may be amended from time to time. However, any such adjustments would be done with the aim of ensuring the overall level of risk is consistent with that targeted.

9 Expected Return

- 9.1 The funds available are expected to provide an investment return relative to the level of risk associated with it. The Trustee believes that the range of investment options offered to members should provide a spread of risk and return levels suitable for the membership as a whole. Most asset classes are expected to provide long term real growth to enhance member outcomes.

10 Investment Restrictions

- 10.1 Given that the Scheme invests solely in pooled funds, the Trustee acknowledges that they have no ability to restrict the holdings of the pooled funds. The Trustee has considered the investment restrictions attaching to each of the pooled funds prior to investing in the pooled funds and are comfortable with these.

11 Environmental, Social, and Corporate Governance, Stewardship, and Climate Change

- 11.1 The Trustee believes that good stewardship can create and preserve value for companies and markets as a whole and can therefore enhance long-term portfolio performance, and is therefore in the best interests of the Scheme's beneficiaries and aligned with fiduciary duty.
- 11.2 The Trustee believes that Environmental, Social and Corporate Governance ("ESG") issues may have a material impact on investment risk and return outcomes, thereby affecting the performance of investment portfolios and should therefore be considered as part of the Scheme's investment process.
- 11.3 The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.
- 11.4 The Trustee has delegated responsibility for the selection, retention and realisation of investments to the investment managers. The Trustee's policy is that the extent to which ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, are taken into account in these decisions is left to the discretion of the investment managers.
- 11.5 However, the investment managers who are registered with the FCA are expected to act in accordance with their own corporate governance policies and current best practice, as well as comply with the UK Corporate Governance Code and UK Stewardship Code, including public disclosure of compliance via an external website.
- 11.6 The Trustee will also consider the Investment Consultant's assessment of how the investment managers embeds ESG into their investment process and how the

managers' responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the investment managers' policies on voting and engagement. The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments.

- 11.7 Member views are not taken into account in the selection, retention and realisation of investments.

12 Buying and Selling Investments

- 12.1 The Investment Managers have responsibility for buying and selling the underlying assets. As noted, day-to-day activities of the Investment Managers are governed by the arrangement between Investment Managers and the platform Provider.

13 Fees

- 13.1 The Provider deducts a fund management charge ("FMC") from the units held before unit prices are set and expressed as a percentage per annum of the total funds under management in each fund. Since the arrangement is bundled, the Provider also deducts an annual management charge ("AMC") to cover administration, communication and governance fees. The AMC is 0.08% p.a. and this is charged in addition to the FMC.

- 13.2 The current fee scales negotiated with the Scheme's Provider is set out below.

Fund category	Fund names	Fund manager	FMC₁ %
<i>Default Funds</i>			
Global Equity	GKN Growth Fund	L&G	0.15
Diversified Growth	GKN Diversified Fund	L&G	0.30
Cash	GKN Cash Fund	L&G	0.11
<i>Self-Select Funds</i>			
Global Equity	L&G World (ex UK) Equity Index Fund	L&G	0.12
Factor-Based Global Equity with climate overlay	L&G Future World Fund	L&G	0.24
UK Equity	L&G UK Equity Index Fund	L&G	0.10
Islamic Equity	HSBC Islamic Global Equity Index Fund	HSBC	0.35
Emerging Market Equity	L&G World Emerging Markets Equity Index Fund	L&G	0.25
Diversified Growth	Threadneedle Dynamic Real Return Fund	Columbia Threadneedle	0.55
High Income	L&G High Income Fund	LGIM	0.30
Property	L&G UK Property Fund	L&G	1.28
Government Bonds	L&G All Stocks Gilt Index Fund	L&G	0.08
Corporate Bonds	L&G AAA-AA-A Corporate Bond All Stocks Index Fund	L&G	0.12
Cash	L&G Sterling Liquidity Fund	L&G	0.11

1 Excludes any additional expenses

13.3 The Scheme's DC Investment Consultant is remunerated on a project-by-project basis and their fees can vary from year to year according to the level of activity required.

13.4 The fees will be reviewed when there is a change to the funds made available to members or to the Provider appointed by the Trustee and/or when there is a change to the fee scale agreed between the Trustee and Provider.

14 **Compliance with this Statement**

14.1 The Trustee will monitor compliance with this Statement annually, or immediately after any material change in strategy. In particular, they will obtain written confirmation from the Provider that they have given effect to the investment principles in this Statement so far as reasonably practicable and that in exercising any discretion the Investment Managers have done so in accordance with Section 4 of The Occupational Pension Schemes (Investment) Regulations 2005.

15 **Review of this Statement**

15.1 The Trustee will review this Statement from time to time and at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

September 2023

Appendix A – Fund Objectives and Benchmarks

The benchmarks and performance objectives for the underlying funds are as follows:

Fund	Benchmark	Performance objective
L&G Future World Fund	FTSE All-World ex CW Climate Balanced Factor Index	Track benchmark within +/-0.6% p.a.
L&G UK Equity Index Fund	FTSE All-Share Index	Track benchmark within +/-0.25% p.a.
L&G World (ex UK) Equity Index Fund	FTSE World (ex UK) Index	Track benchmark within +/-0.5% p.a.
L&G Future World Global Equity Index Fund (GBP Hedged)	Solactive L&G ESG Global Markets Index - GBP Hedged	Track benchmark within +/-0.6% for two years out of three.
L&G World Emerging Markets Equity Index Fund	FTSE Emerging Index	Track benchmark within +/- 1.5% p.a.
HSBC Islamic Global Equity Index Fund	Dow Jones Islamic Market Titans 100 TR Index	Track benchmark within +/-0.5% p.a.
Threadneedle Dynamic Real Return Fund	UK CPI + 4%	Return over CPI
L&G Diversified Fund	FTSE Developed World Index - 50% GBP Hedged *	England Base Rate +3.75% **
L&G High Income Fund	ICE BofA Global High Yield BB-B Rated (excluding financials) 2% Constrained Index	Exceed benchmark by 1.0% p.a.
L&G UK Property Fund	IA Sector: UK Direct Property (comparator benchmark)	Combination of income and capital growth
L&G All Stocks Gilt Index Fund	FTSE Actuaries UK Conventional Gilts All Stocks Index	Track benchmark within +/-0.25% p.a.
L&G AAA-AA-A Corporate Bond All Stocks Index Fund	Markit iBoxx £ Non-Gilts (ex-BBB) Index	Track benchmark within +/-0.5% p.a.
L&G Sterling Liquidity Fund	Sterling Overnight Index Average	Money market rates

*Legal & General compare the performance of the Fund against an equity comparator index as the long-term expected rate of return of the Fund is broadly similar to that of a developed market equity fund.

**The fund is additionally shown against a secondary comparator of the Bank of England Base Rate +3.75% per annum as Legal & General expected rate of return can also be illustrated using 'risk-free returns' plus an 'equity risk premium'. The market consensus for the latter is accepted to be in the region of 3.5 – 4.0% p.a.

It is noted that the performance of the funds of the Provider may differ from the underlying parent funds.